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World Business Newspaper FRIDAY NOVEMBER 3 1995 D8523A

Daiwa Bank told to shut down all its US operations

US banking regulators ordered Japan's *Daiwa Bank* to shut down all its US banking operations, citing unsafe banking practices and violations of law "that are most *serious in nature*". The order says all banking operations of Daiwa and its trust company conducted through its US branches, agencies and representative offices in 11 states must end by February 2 next year.

Nissan expects return to profit: Nissan, Japan's second-largest car group, expects to make a full-year profit for the first time in two years in spite of sluggish overseas sales. Page 15; Lex, Page 14

French claim terrorist breakthrough: French police have arrested a number of people in raids in Paris, Lille and Lyons, which they claim as a breakthrough in the hunt for those involved in recent terrorist bomb attacks. Page 3

Russia plans fraud crackdown: Russian prime minister Victor Chernomyrdin has proposed seizing assets from fraudulent investment companies to compensate swindled investors. Page 2

Apple executive resigns: Apple Computer's number two executive, Dan Eilers, has resigned unexpectedly. His is the third high-level resignation at the US company this year. Page 15

BMW eyes Rolls-Royce Motors: BMW, the German executive cars group, indicated that it would like to buy Rolls-Royce Motors, the icon of British luxury motoring, were it available. It stressed, however, that it was not in talks with Vickers, the carmaker's owner. Page 14

BP sells US refinery: *British Petroleum* has sold its Marcus Hook refinery near Philadelphia to Tosco, the US refining group, for $235m, so beginning the restructuring of its worldwide refining operations. Page 15

Dresdner Bank, Germany's second largest bank, reported a 13.6 per cent rise in operating profits for the nine months to the end of September, largely reflecting weakness in the same period last year. Page 16; Lex, Page 14

Shell shares fall: Anglo-Dutch oil group Shell saw its shares fall 16½p after it predicted continuing pressure *on its main activities. John Jennings,* chairman, said crude oil prices could stay in the same range for 10 years. Page 22; Lex, Page 14

Database fraud uncovered: European businesses are being targeted in an "electronic age" fraud by being asked to pay $1,440 for an unsolicited listing on a database. Page 14

Rifkind rejects Eurosceptic viewpoint:

Malcolm Rifkind (left), the UK foreign secretary, stated firmly that Britain should play a key role in European *affairs* as well as shoring up its ties with the US, in a speech designed to correct any impression that he is a convinced Eurosceptic. He said Europe as a whole needed US help with defence, given that it would require up to $100bn a year for the European Union nations to replicate the military facilities they now receive from Washington. Page 8

Tokyo bans US bank for 2 days: Japan's finance ministry ordered a two-day suspension of the Tokyo operations of Merrill Lynch, the US investment bank, as punishment for violation of stock trading rules. The ban applies to the arbitrage trading section. Page 7

Two bombs explode in Gaza Strip: Two car bombs exploded in the PLO-ruled Gaza Strip, killing the *assailants and injuring* 11 Israelis. Palestinian police said it was a revenge attack by Islamic Jihad for last week's killing of their leader Fathi Shakaki.

ICI plans plant in Shanghai: Imperial Chemical Industries, the UK chemicals group, plans to take advantage of the projected rapid growth of the China market by building a $400m polyurethane plant in Shanghai by early next century. Page 6

Food fight over pasta recipe: Quaker Oats, which last year bought a Brazilian pasta business from fellow US food company *Borden*, has accused Borden of boosting profits by using less than half the amount of egg in its egg pasta required under Brazilian law. Page 15

For production reasons, stories and companies listed on Page 16 will appear instead on Page 17 in some copies of today's edition.

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	4,782.94	(+16.26)
NASDAQ Composite	1,052.9	(+11.50)
Europe and Far East		
CAC40	1,828.74	(+14.73)
DAX	2,183.98	(+20.76)
FT-SE 100	3,523.0	(+4.3)
Nikkei	18,028.8	(+554.31)

■ US LUNCHTIME RATES

Federal Funds	5¾%
3-mth Treas Bills: Yld	5.42%
Long Bond	105⅞
Yield	6.242%

■ OTHER RATES

UK: 3-mo Interbank	6⅝%	(same)
UK: 10 yr Gilt	104⅞	(103¾)
France: 10 yr OAT	101.9	(103.16)
Germany: 10 yr Bund	100.82	(100.75)
Japan: 10 yr JGB	111.28	(113.15)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$16.58	(16.26)

■ GOLD

New York: Comex		
(Dec)	$384.2	(383.8)
London:		
close	$382.4	(382.25)

■ DOLLAR

New York: lunchtime		
£	1.5805	
DM	1.42135	
FFr	4.9065	
SFr	1.1437	
Y	103.68	
London:		
£	1.581	(1.5785)
DM	1.4191	(1.4164)
FFr	4.8988	(4.9145)
SFr	1.1431	(1.1393)
Y	103.6	(103.025)

■ STERLING

DM	2.2435	(2.2358)
Tokyo close:	Y 103.65	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00
Bahrain	Din1.250	Hong Kong	HK$20	Morocco	MDh15	S.Arabia	SR11
Belgium	BFr70	Hungary	Ft215	Neth	Fl 4.25	Singapore	S$4.30
Bulgaria	Lv110.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	Sk50
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00
Czech Rp	Kc55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta250
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17
Egypt	E£5.00	Japan	Y500	Philippines	Pso50	Switz	SFr3.60
Estonia	EKr 20	Jordan	JD1.50	Poland	Zl 4.20	Syria	S£50.00
Finland	FM15	Kuwait	Fils.625	Portugal (mTand)	Es230	Tunisia	Din1.500
France	FFr11.00	Lebanon	US$1.50			Turkey	L80,000
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00

 No 32,823 Week No 44 LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · NEW YORK · LOS ANGELES · TOKYO

Danish owners abandon rescue plan ■ 1,100 workers set to lose jobs

Shipyard to close after 152 years

By Hilary Barnes in Copenhagen

Burmeister & Wain, the Copenhagen shipyard which built the world's first ocean-going vessel driven by diesel engines, is to close after 152 years.

B&W Holding, which owns the yard, said yesterday it had abandoned *an effort to arrange a* financial reconstruction and would close the yard next March after two ships now under construction are completed. About 1,150 workers – down from 3,000 in the 1970s – face redundancy.

Burmeister & Wain has fallen *victim to the strength of the Danish* krone against the dollar, making it impossible to make a profit on the *high quality* bulk carriers in which the yard has specialised for the past decade.

It had played an important role in the history of both Copenhagen and international shipping. In 1911, its building of the diesel-powered passenger ship Selandia brought a young *British* First Sea Lord, Mr Winston Churchill, hurrying to Copenhagen to study the latest innovation in naval engineering.

Later the same year, Kaiser Wilhelm II of Germany was shown round a sister ship built for the Hamburg America Line.

Workers at the yard yesterday lived up to a long tradition of militancy, preventing one of the two vessels from leaving a dry-*dock until* they were *assured of* satisfactory redundancy payments.

B&W Holding went into receivership on June 27 after a first-half loss of Dkr901m ($170m). Efforts to reach agreement on a financial reconstruction were *abandoned on Wednesday* when international holders of bonds in the group were unable to agree to the latest reconstruction plan.

Mr Flemming Skov Jensen, managing director of the large Danish trade union-controlled investment fund, Lonmodtagernes Dyrtidsfond, blamed US insurance companies for blocking a solution which other creditors could have lived with.

The Americans thought throughout that someone would come along and save their money for them, he said.

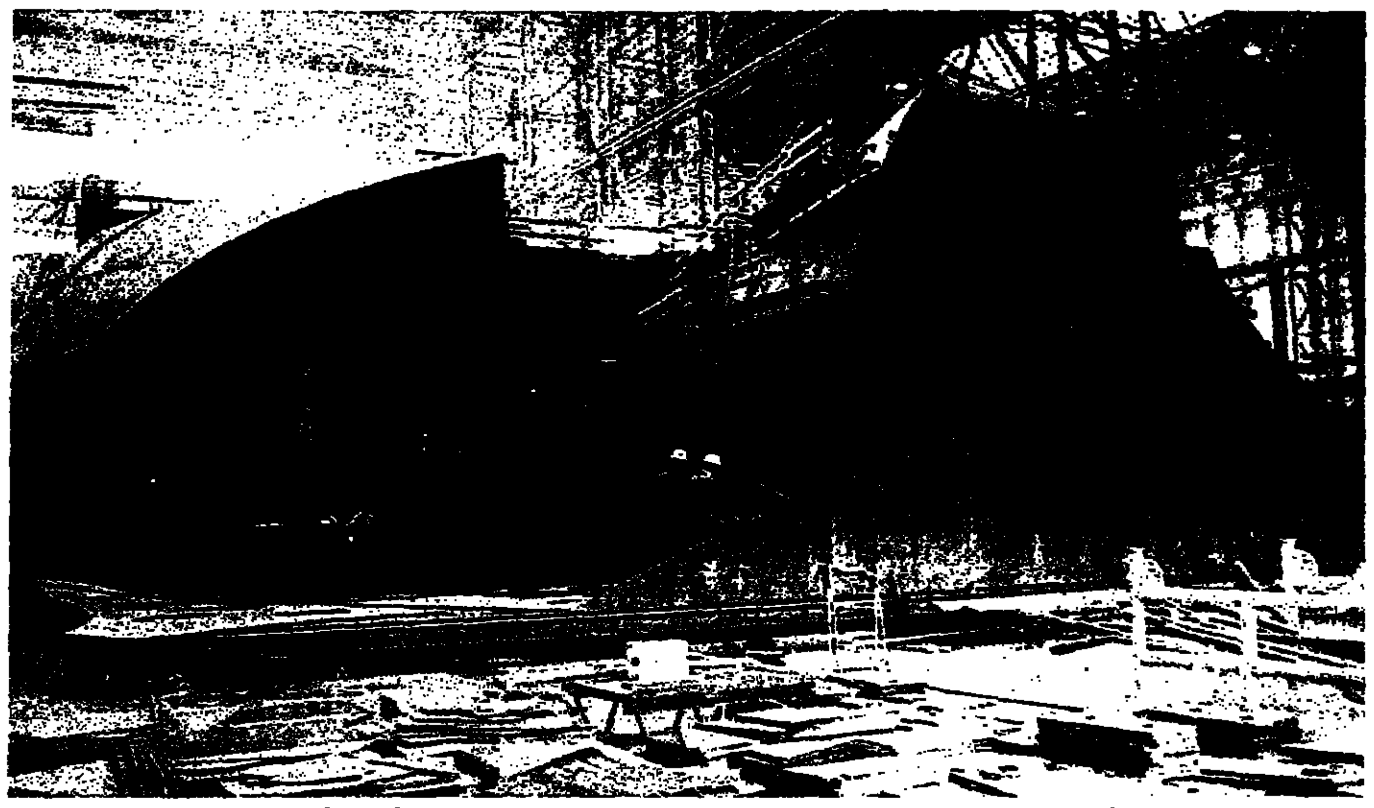
There is still a slender chance that the yard has a future. Mr Jan Erlund, chairman of the board, said that by running down the yard gradually, it would be possible to continue discussions on co-operation with Sweden's Kockums shipyard in Malmö.

The two yards have discussed opportunities for co-operation on building advanced oil production vessels but Kockums has *declined to put new capital into* B&W.

One board member, Mr Olav Grue, resigned yesterday, declaring that the best solution would be an immediate bankruptcy, opening the way to a rapid reconstruction with new capital.

Earlier this week, Lauritzen Holding, owner of another of Denmark's major shipyards, the Danyard in Jutland, told the 2,000 *employees that no further capital* would be pumped into the yard when the current order backlog is completed in mid-1997.

The third major Danish yard, the Odense Steel Shipyard, owned by the A.P.Moeller Maersk shipping and oil group, is not *under threat.*



The Burmeister & Wain yard had played an important role in the history of both Copenhagen and international shipping Picture: Polfoto

French central bank reduces key interest rate

Move follows austerity pledge and stronger franc

By John Ridding in Paris

The Bank of France yesterday responded to President Jacques Chirac's tougher line on tackling public sector deficits and the *rebound in the French franc* by cutting one of its main interest rates.

Partially dismantling the defences erected to defend the French currency from last month's assault, the central bank reduced the 24-hour lending rate from 7 *per cent to 6.6 per cent.*

The move comes amid calls from the conservative government of Mr Alain Juppé, prime minister, and French employers for a sustained reduction in interest rates to help stimulate the slowing economy.

Market observers said the cut showed the central bank was ready to proceed with an easing of monetary policy to support the economy, but at a gradual pace.

The move did not unwind completely the crisis measures taken last month after the central bank suspended the 5 to 10-day borrowing rate and raised the 24-hour rate from 6.15 per cent to 7.25 per cent. That action was prompted by a fall in the franc to about FFr3.53 to the D-Mark resulting from investor concerns about *French economic policy and the* plunging popularity of Mr Juppé's government.

Yesterday's cut reflected improved confidence in financial markets after Mr Chirac's call last week for budgetary rigour and his backing for two years of *austerity* to enable France to satisfy the criteria for European monetary union. The criteria require a maximum public sector deficit of 3 per cent of gross domestic product compared with a forecast ratio of about 5 per cent in France this year.

French financial markets responded positively to the rate cut. The franc continued its steady rise of the past week, gaining more than a centime to close at about FFr3.45 to the D-Mark. On the Paris stock market, *the CAC-40 index of leading* shares rose almost 1 per cent to 1,828.7.

"Investors *are relieved to see* some action towards lower interest rates," said one economist at a Paris merchant bank. "But it is only a first step. The big question now is how far cuts will go and at what pace."

The French government, faced *with an upturn in unemployment* in August and September which took the rate of joblessness from 11.4 per cent to 11.5 per cent, has expressed its impatience to *see* borrowing costs come down quickly. In a thinly veiled appeal for action at the weekend, Mr Jean Arthuis, finance minister, said France was "on the verge of

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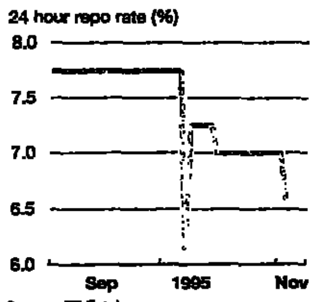
France



Source: FT Extel

Insurance brokers set up global electronic network

By Ralph Atkins, Insurance Correspondent, in London

The world's six biggest insurance brokers are *attempting* to trigger a *technological* "big bang" in commercial insurance with a global electronic network that could cut *significantly the cost of* transacting business.

Eventual cost savings of up to 20 per cent are envisaged by backers of the World Insurance Network (Win), launched yesterday in conjunction with British Telecommunications. That should *result in lower premiums* for buyers of commercial insurance.

In the past, technology has not been exploited as effectively in *the $400bn international commer*cial insurance market as in other financial services. This reflects the complexity of the market and mass of paperwork involved.

The *projected savings* from linking the brokers electronically with insurers are based on the experience of industries such as banking and travel.

The network involves a rare degree of co-operation between the brokers, which face increasing pressure to improve the quality of their core businesses. Commercial insurance buyers are demanding higher levels of service and frequently deal direct *with insurance companies.*

The six shareholders in Win are Alexander & Alexander, Aon, Johnson & Higgins, Marsh & McLennan, Willis Corroon and Sedgwick. By joining forces, they hope the scheme will quickly attract a substantial proportion *of the market on to the system.*

Mr Howard Green, a director of Win, said that all commercial risks could in theory be insured electronically. "Once you get crit*ical mass, things snowball,*" he said.

Further job cuts in broking are likely as the amount of face-to-face negotiations between brokers and insurers falls. Mr Green said substantial retraining would be needed as a full electronic system forced brokers into acting more as "risk managers", information providers and insurance advisers. But he expected face-to-face negotiations to continue, particularly for underwriting the most complex risks.

The network, expected to become operational in stages next year, depends crucially on *attracting* the large *insurance* companies as members.

Reaction yesterday was limited but Lloyd's of London said it welcomed "any initiative which will help reduce the cost of transacting insurance business".

The network plans to harness *recent technological developments* which allow messages and large volumes of information to be sent quickly in a flexible form. Common standards would be set *but all brokers and* insurers anywhere in the world would be free to develop their own practices for using the system.

The system will be compatible with existing electronic networks being developed for business transacted in the London commercial insurance market and European reinsurance market.

CONTENTS

Bonn gives qualified welcome to union pay plan

By Judy Dempsey in Berlin

The German government yesterday gave a cautious welcome to plans by IG Metall, the engineering union, to keep pay demands in 1997 in line with inflation in return for employers agreeing to create jobs.

Mr Friedrich Bohl, a senior chancellery official, said the *union was trying to create better* conditions for economic growth and more jobs. But he warned that the union faced its toughest test during next year's pay negotiations, views echoed by Gesamtmetall, the engineering employers' association.

He declined to comment on whether the government would be prepared to increase training schemes by 5 per cent a year or drop plans to cut unemployment benefits, as Mr Klaus Zwickel, head of IG Metall, demanded earlier in the week.

Mr *Zwickel,* whose initiative aims to create 300,000 jobs over three years and return 30,000 long-term unemployed to the workforce, called for a meeting "as soon as possible" with Chancellor Helmut Kohl and Mr Hans-Joachim Gottschol, head of *Gesamtmetall.*

The opposition Social Democrats (SPD) gave a more enthusiastic response to the union's "alliance for jobs" proposals. Mr Gerhard Schröder, SPD state premier of Lower Saxony – where Volkswagen, the carmaker, is *based – described* Mr Zwickel's package as the "best and most courageous" for a long time.

Earlier this year, after tortuous negotiations, IG Metall and Gesamtmetall agreed to more flexible working hours at Volkswagen, essentially giving management the right to decide shift working times in response to production cycles, subject to the length of the working week averaging out within an agreed level. However talks on ways to reduce overstaffing at the plant were placed on the back burner.

But despite the generally positive signals, it remains unclear how companies would be able to create 300,000 jobs, what it would cost and how the training

Continued on Page 14

Chernomyrdin wants swindlers' assets seized and redistributed

Aid for Russian fraud victims

By John Thornhill in Moscow

Mr Victor Chernomyrdin, Russia's prime minister, has proposed seizing the assets of fraudulent investment companies in order to compensate millions of swindled investors.

A draft decree, approved by Mr Chernomyrdin yesterday but still to be accepted by President Boris Yeltsin, proposes setting up a state compensation fund with formidable powers to identify and seize assets from fraudulent companies and distribute them to depositors.

"In contrast to radical democrat-monetarists, Chernomyrdin believes the state must find an opportunity and help depositors deceived by financial swindlers," Mr Konstantin Buravlev, the deputy finance minister, said in an interview with the Interfax news agency.

Officials said investors in some scam investment schemes could expect to receive compensation as early as this year without any recourse to the federal budget.

The Federal Securities Commission estimates 30m Russians have lost money in 883 financial pyramid schemes over the past few years. The schemes have typically sucked in money from shareholders by guaranteeing a constantly rising share price and big dividends. In reality, these schemes could only pay existing shareholders with the money raised from constantly attracting new ones.

The most infamous fraud was the MMM scandal which drew in millions of investors before the bubble burst. Mr Sergei Mavrodi, its unrepentant head, was subsequently elected to parliament where he is immune from prosecution.

The government's previous reluctance to counter fraudulent investment schemes had led some individuals to launch private initiatives to recover money from swindlers. Earlier this year, Mr Konstantin Borovoi, a well known businessman and leader of a free market political grouping, launched the All-Russia Movement of Depositors to pursue fraudsters through the courts and recover stolen funds. The movement now claims 700,000 members.

The issue has also been given added urgency because of government attempts to attract private savings into the economy by means of state savings bonds and trustworthy private mutual funds.

Some financial experts dismissed yesterday's move as blatantly political one ahead of next month's parliamentary elections and unlikely to produce results. Mr Chernomyrdin, who this year formed the Our Home is Russia movement, has recently been trying to softening his rhetoric to curry favour with voters.

He also appears to be adopting a higher profile as rumours again circulated about Mr Yeltsin's health. Mr Victor Ilyushin, the president's chief aide, yesterday met him for the second time in two days and reassured reporters that the president was feeling better. But the meeting was restricted to just 10 minutes, suggesting the president was still incapable of sustained work.

Germany to cut benefits for jobless

By Peter Norman in Bonn

The German government yesterday agreed plans to encourage the long-term unemployed to take up work and reduce the cost to the federal budget of unemployment benefit.

Mr Norbert Blüm, the labour minister, said the proposals, which were adopted yesterday by the cabinet and include controversial benefit cuts, should save the federal budget DM3.4bn (£1.55bn) a year. The savings have already been factored into the draft budget for 1996.

The most contentious part of the reform is a proposal to reduce the D-Mark sum used to calculate an individual's unemployment benefit by 5 per cent after a year of receiving such payments, and by a further 5 per cent after each subsequent year.

The opposition Social Democratic party (SDP) intends to oppose this measure, which has also been criticised by the federal labour office, which administers Germany's system for helping the unemployed.

Although the cabinet decision marks a significant dilution of existing support for the unemployed, it is not as draconian as it at first appears.

Unemployment pay, which is the first line of support and paid for a limited period after the loss of a job, will not be affected by yesterday's decision.

Mr Blüm also pointed out that the basis for calculating unemployment benefit, which is the second and less generous line of support, would not drop below the lowest pay scales agreed through collective bargaining. Moreover, unemployment benefit payments would still rise each year in line with wages. The minister said this part of the package would account for only DM300m of the savings the government hoped to realise from the benefit reform.

The government also plans to tighten means testing of benefit recipients. It also expects to save a further DM1.5bn as a result of helping people back to work. Job creation efforts will be focused on those unemployed who have been jobless for more than a year and improving training programmes to boost their qualifications.

In a part of the package aimed largely at young long-term unemployed, the government said it would also pay a subsidy of DM25 a day to jobless people willing to do certain low-paid and short-term jobs, such as helping with the harvest. Although there are 3.5m registered unemployed in Germany, it issues 150,000 temporary permits to foreigners each year to do such work.

Retreat on 'European army'

By Simon Kuper, Kevin Brown and Bruce Clark in London

Mr Wolfgang Schäuble, parliamentary leader of Germany's governing Christian Democrats, assured Britain yesterday that in calling for a "European army" he had not been advocating the break-up of Nato.

At a press conference after meeting Mr John Major, the prime minister, and other senior UK officials, he said an independent European defence capability would be a contribution to the Atlantic alliance, not an alternative.

He said the mainly Franco-German Eurocorps – sometimes seen as a European army in embryo – should be brought closer to Nato. He added, however, that a European defence force would be useful in dealing with conflicts where the US did not want to become directly involved.

Making clear that his proposal involved the co-ordination of existing forces, rather than the creation of some new military organisation, he said: "We do not need to create a new army.... but we need to give Europe the capacity to act."

He said that when Mr Malcolm Rifkind, the UK foreign secretary, asked him about the proposed army, he had replied: "Would you still be worried if you knew that it were a Nato army?"

Mr Schäuble said he had also discussed with Mr Major "our differing views on currency union", as well as the enlargement of the European Union and Nato, a subject on which the UK and German positions are close.

The German politician, who has often been a pioneer of new ideas on the future of the EU, used the phrase "European army" on Wednesday to describe the likely end result of the EU's efforts to achieve a common defence effort.

He reiterated his country's support for the gradual merger of the EU with the 10-nation Western European Union, an embryonic defence grouping. "It should be our goal to integrate the WEU into the EU – if required, step-by-step and through increased structural integration – and thereby to create a European army," he said in an Oxford lecture.

Downing Street sought to play down hints of a confrontation, insisting that Mr Schäuble assured the prime minister that his remarks about the desirability of a European army had been "misrepresented."

A senior official said Mr Schäuble had undertaken to clarify his comments before leaving the UK. However, his talks with Mr Major focused on areas of broad agreement, including EU enlargement and reform of the common agricultural policy and the structural fund.

Mr Schäuble told the prime minister he believed Britain should participate in a European single currency, but Mr Major told him there would be no change in the government's determination to leave the decision for a future parliament.

Sniping at budget puts Dini's financial objectives in jeopardy

Central bank has voiced doubts and Senate wants amendments, writes **Robert Graham in Rome**

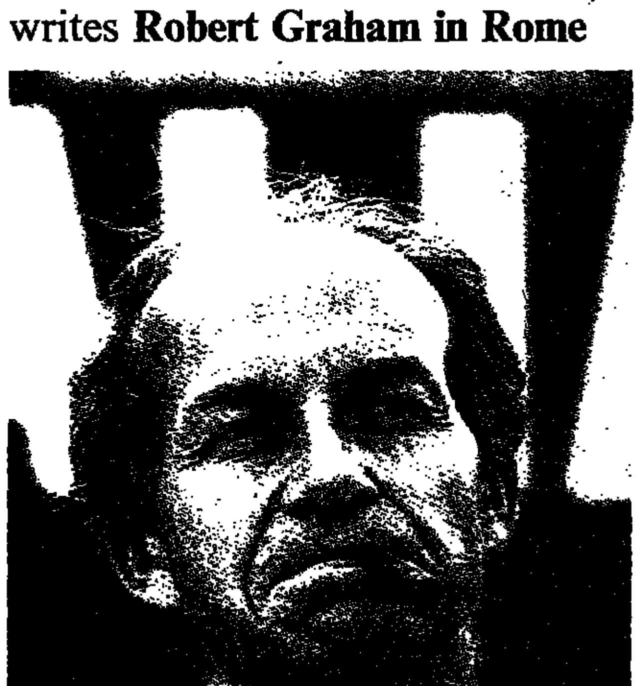
A parliamentary commission has introduced substantial changes to Italy's 1996 budget, highlighting the difficulties faced by Mr Lamberto Dini's government in sticking to its original financial objectives.

The changes, proposed by the Senate budgetary commission, come at a time when the Bank of Italy has repeated its reservations about the effectiveness of the measures in the 1996 budget. The bank's latest quarterly report this week suggested the government's aim of finding L32,500bn (£13bn) in new receipts and spending cuts could fall short by L10,000bn.

The fate of the budget is unlikely to become clear before early December. The rightwing alliance, headed by Mr Silvio Berlusconi, the former prime minister, is pledged to vote against the budget despite reservations among the moderates. Mr Fausto Bertinotti, the mercurial leader of Reconstructed Communism, the hard core of the old Italian Communist party, is also committed to block the budget.

Mr Bertinotti and his 24 deputies abstained in last week's vote of no confidence in the government, allowing Mr Dini to survive. But at this stage it is hard to see him backing off from his opposition to an "unpopular" budget, so Mr Dini must rely for cross-party support from moderates in the Berlusconi camp. If the budget fails to pass, an emergency mechanism would operate from next January 1 permitting the administration to spend each month no more than a twelfth of total 1995 expenditures.

This year the budget is being discussed first in the Senate where the government enjoys a clear majority from the parties of the centre-left. Among the main amendments proposed by the budget commission are to broaden the scope of continued tax breaks for reinvested company profits, to delay the introduction of higher property taxes, and end the freeze on local authority recruitment as well as for new magistrates and judicial personnel.



Among the budget's enemies is Communist leader Fausto Bertinotti, who has pledged to block it Reuter

The government had tried to limit tax breaks on reinvested profits, introduced in 1995, to those companies operating in the depressed south. However, the Senate commission has stipulated that these benefits apply to the whole country for a further four months in response to an outcry from business. Homeowners, too, had protested about plans to let local authorities update property values on which a hefty tax is already levied.

The commission has also made a controversial proposal to allow every region to open a casino – there are only four at present in the whole country – and introduced the idea of merging the ministerial activities of industry, foreign trade and tourism. These proposals will be discussed next week in full Senate session before moving on to the Chamber of Deputies, where the government lacks a clear majority.

Mr Dini has said his government is willing to accept changes provided the basic framework of the budget is not altered. Traditionally, parliament seeks to dilute the measures; but this year matters have been complicated by Mr Berlusconi's desire to use the budget as a weapon to humiliate Mr Dini and ensure elections early in the new year.

The budget aims to cut the public sector deficit from 7.4 percent of gross domestic product to 5.9 per cent by raising almost L18,000bn in fresh revenues and finding L14,500bn in spending cuts. Confindustria, the employers' confederation, has attacked the budget for being too modest, so distancing Italy from the possibility of meeting the EU criteria for monetary union.

In private, government officials concede that more radical surgery on public finances is necessary but point out the measures have to be compatible with parliamentary support from the centre-left. This is most evident in the L6,000bn set aside for public sector pay claims. By conceding what in effect will be a 6 per cent rise, the government has bought the backing of the unions.

The weakest aspect of the budget is that a quarter of new revenues are due to come from improved income tax assessment and more efficient curbs on the time honoured practice of tax evasion. This is one of the principal concerns behind the Bank of Italy's view that the budget might be as much as L10,000bn short. As it is, the receipts from a tax amnesty this year could be L.5000bn short, according to the government, so requiring additional compensatory measures at the end of the year.

Swiss fine bank over cash from the GDR

By Ian Rodger in Zurich

Bank Austria (Schweiz), a subsidiary of Austria's largest bank, has been fined SFr50,000 ($44,000) plus SFr25,000 costs for infringing the Swiss banking industry's due diligence agreement in handling funds originating in the former German Democratic Republic.

The bank was cleared, however, on charges of actively assisting tax evasion by three agents of the former East German Communist party, in the spring of 1991 as East Germany collapsed. Two former employees of the bank have been charged by the Zurich district prosecutor with failure to exercise due care in financial transactions, a criminal offence in Switzerland.

The fine against Bank Austria (Schweiz) must be paid to the International Committee of the Red Cross.

The Swiss banks' due diligence agreement is a self-regulatory text that requires all banks to know the identity of all their clients and not to assist actively in the flight of capital or tax evasion.

A supervisory board investigates suspected cases of wrongdoing. In the past two years, it has carried out 31 investigations and applied sanctions 21 times; the highest fine that it has imposed has been SFr500,000.

Bank Austria would not comment on the judgment, but said that it would not contest it.

The case came to light a year ago when Treuhandanstalt, the former industrial reconstruction agency for eastern Germany, launched a civil action against Bank Austria (Schweiz) to recover Sch1.76bn ($175m) plus interest.

The Treuhand claimed that the funds came from two Berlin companies, Novum Handelsgesellschaft and Transcarbon Handelsgesellschaft, both known for their close dealings with the former GDR government.

Novum and Transcarbon lawyers claimed that their companies belonged to the Austrian Communist party, and that the money did not belong to Germany.

In May 1991, Ms Rudolfine Steindling, an Austrian Communist party leader, opened two accounts with Bank Austria (Schweiz), then called BFZ Bankfinanz.

Ms Steindling, or rote Fini (red Fini) as she is known in Austrian business circles, was a key go-between in deals between Austria and the former east bloc countries. She is believed to control most of the businesses owned by the Austrian Communist party.

Over the next few months, some Sch1.76bn was transferred into these accounts, a sum that was larger than the bank's balance sheet.

Then the money was drawn out gradually between June, 1991 and February, 1992 in amounts varying from Sch20m to Sch60m in cash.

The Treuhand suspects that most of it was used to buy Austrian savings bonds and then deposited into several anonymous numbered accounts in Austrian banks. All documentary evidence of these fund movements appears to have disappeared.

Mr Dieter Jann-Corrodi, the Zurich district attorney, said last year that when he made initial investigations in 1992, he was told that the funds were dispersed among various accounts "for tax reasons".

Bank Austria said last year that it had no knowledge that the funds had come from the two Berlin companies.

EUROPEAN NEWS DIGEST

US talks warn Bosnian Serbs

Mr Warren Christopher, the US secretary of state, said Washington would not be "comfortable" sending troops to enforce a Bosnian peace settlement if Mr Radovan Karadzic and General Ratko Mladic remained as political and military leaders of the Bosnian Serbs.

His comments came in a Wednesday night television interview shortly after the opening of negotiations at an air force base near Dayton, Ohio, and appeared designed to bolster the hopes of the Bosnian government that the two men be removed.

Earlier, Mr Richard Holbrooke, the chief US negotiator, had rejected the notion that the war crimes charges brought against Mr Karadzic and Gen Mladic by the international tribunal sitting in The Hague could be dropped as part of an overall settlement.

The talks resumed yesterday under a virtual news blackout, but one source told the Reuters news agency that President Alija Izetbegovic of Bosnia had demanded that President Slobodan Milosevic of Serbia deliver Mr Karadzic and Gen Mladic to face the war crimes tribunal.

Mr Milosevic represents the Bosnian Serbs in the negotiations. The Serbian president and President Franjo Tudjman of Croatia also issued a joint statement promising "full normalisation" of relations and a resolution to the dispute over eastern Slavonia, which is in Croatia but is occupied by Serbs. *Jurek Martin, Washington*

Italy agrees to send peace units

The Italian government yesterday agreed that its troops should take part in future peacekeeping operations in Bosnia and other areas of former Yugoslavia.

The decision was linked to the outcome of the peace talks in Dayton, Ohio. Until now Italy has held back from direct involvement of troops in former Yugoslavia, providing instead logistical back-up for Nato and United Nations peacekeeping and enforcement operations. A cabinet statement said the size of the Italian contingent and all funding aspects would be left to parliament. Italy would have problems in fielding more than 2,000 to 3,000 fully trained and equipped combat troops. This is because the conscript army has few professional units and because defence cuts have reduced the budget for modern equipment.

Also Italian public opinion has been wary of becoming involved in the Balkans but the government move reflects Italy's desire to be seen to play its part. *Robert Graham, Rome*

Iceland may resume whaling

Iceland's fisheries minister, Mr Thorsteinn Palsson, yesterday said he would call on the island's parliament for authorisation to resume whale hunting.

Speaking on television, Mr Palsson said he would put a motion before parliament during the coming months, but did not reveal its contents. A government commission recommended a limited resumption of commercial whaling in 1994, which was outlawed in Iceland in 1989, but no measure has so far been introduced.

Iceland has always contended that Minke whales are not an endangered species, and has been concerned about their impact on fish stocks. They concede that there may be problems with other whales, but they believe that extending limited whaling rights to traditional whaling communities would not pose a threat to the Minke. *Reuter, Reykjavik*

Mir cosmonauts repair fault

Three cosmonauts on board Russia's orbiting Mir station have repaired a leak in the main cooling system that had forced them to switch to a back-up system, space officials said yesterday.

A spokesman said earlier that the leak pump, discovered on Tuesday night, could in theory have led to an increase of temperature inside the station. However, the reserve system had worked normally. In Paris, a European Space Agency (ESA) spokeswoman said that the incident had involved a failure in a pump which syphons off carbon dioxide.

Russians Yuri Gidzenko and Sergei Avdeyev and Thomas Reiter of Germany have been in space on board Russia's permanently orbiting space station since September 3 on a venture partly financed by the ESA. They are to receive a team of four Americans and one Canadian astronaut on November 14.

The mission of the present Mir crew had already been extended by 45 days because a cash shortage hit production of a Soyuz booster rocket to launch the vessel which would bring them back. *Reuter, Moscow*

Chernobyl closure to cost $3.2bn

Ukraine and representatives of the Group of Seven industrialised countries have drawn up a $3.2bn plan to close the Chernobyl nuclear power station, but negotiations broke off yesterday without a final agreement.

Talks are scheduled to resume later this month. Ukrainian officials said the G7 would provide roughly $1.8bn in credits and $450m in grants to cover the costs associated with closing the plant.

These include decommissioning the station and upgrading other energy plants to make up for electricity now produced by Chernobyl's two active reactors. Ukraine would provide $900m.

President Leonid Kuchma this year promised to close Chernobyl, site of the 1986 nuclear accident, by 2000. The Kiev government appears to have backed down from earlier calls for $4bn in grant aid. Differences remain over the exact timing and source of the funding. *Matthew Kaminski, Kiev*

Chirac and Juppé slump in polls

President Jacques Chirac and his prime minister, Mr Alain Juppé, have slumped to new lows in the eyes of French voters according to a new opinion poll. The Sofres poll for the weekly Figaro Magazine found that just 37 per cent of voters had confidence in Mr Chirac, a Gaullist, down four percentage points from a similar poll conducted a month ago. Mr Juppé's popularity fell by six points to 33 per cent of the electorate.

The slide continues a trend driven by frustration over Mr Chirac's failure to deliver on campaign promises to cut joblessness and relieve social divisions quickly, as well as his unpopular decision to resume nuclear testing.

Mr Chirac's popularity has plunged more quickly than that of any president in modern French history since he took office in May. Then, polls suggested he was the most popular president at the start of his mandate since General Charles de Gaulle. *Reuter, Paris*

Slovak president berates PM

Slovakia's President Michal Kovac launched a fierce attack on Mr Vladimir Meciar, the prime minister, yesterday, accusing him of planning to usurp power and spreading malicious propaganda. "It is time [for the other side] to give up plans to usurp and concentrate power, and to move towards co-operation with constitutional institutions to strengthen democratic government," he said in a speech broadcast on radio.

It was his strongest assault on Mr Meciar since they began a bitter feud almost two years ago when the prime minister was toppled in a parliamentary coup, returned to power and then launched a campaign to oust the president.

Mr Kovac attacked Mr Meciar for trying to shift the blame last week for diplomatic notes from the EU and US expressing concern about the state of Slovak democracy. "His entire speech constituted a malicious propagandistic spreading of half-truths to the public," he said. "This proves where the real poverty of our domestic policy lies.... To allege the president is subverting the government and even constitutional structures because he refuses to bow to chicanery.... and defends democracy, the constitution and legality, is an obvious distortion of the facts." *Reuter, Bratislava*

THE FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481, Telex 416193. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. Shareholders of the Financial Times (Europe) GmbH are: The Financial Times (Europe) Ltd, London and F.T. (Germany Advertising) Ltd, London. Shareholder of the above mentioned two companies is: The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
GERMANY:
Responsible for Advertising: Colin A. Kennard. Printer: DVM Druck-Vertrieb und Marketing GmbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu-Isenburg (owned by Hürriyet International). ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: D. Good, 168 Rue de Rivoli, F-75044 Paris Cedex 01. Telephone (01) 4297 0621, Fax (01) 4297 0629. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753. Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
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French police claim 'terror hunt' coup

By Andrew Jack in Paris

French police yesterday said they had arrested a number of people in raids in three cities, which they claimed as a breakthrough in the hunt for those involved in terrorist attacks which have hit the country since July.

In operations in Paris, Lyons and Lille on Wednesday evening and early yesterday, officers of the judicial police rounded up a number of French and Algerian nationals and seized a number of arms and bomb-making equipment.

Mr Jean-Louis Debré, France's interior minister, said the action had prevented an imminent terrorist attack in a market near the centre of the northern industrial town of Lille, and claimed it was "a new step in the inquiry into Islamic extremists".

The latest development follows intensified security and a number of police raids in the wake of at least eight terrorist bombings in France since the first and worst on a commuter train in central Paris on July 25, which killed seven people and injured nearly 100.

The Armed Islamic Group has claimed responsibility and threatened continued action against France in relation to support for the government in Algeria, although some critics argue that the claims and the bombings may be the work of the Algerian secret police.

Mr Debré said police had discovered a gas canister, explosives and nails in an apartment in Lille, the ingredients for the bombs used in all the attacks up to now.

He claimed that Mr Boualem Bensaïd, among those arrested in Paris, was connected to a terrorist ring in Lyons involving Mr Khaled Kelkal, shot dead by police last month, and Mr Karem Koussa, seriously wounded while helping Mr Kelkal escape the police.

Mr Ben-saïd has since been placed under formal investigation by magistrates in connection with an attempted bombing of a high-speed train between Lyons and Paris, to which Mr Kelkal was also linked.

Meanwhile, Sweden has refused an extradition request to France for Mr Abdelniche Denèche, who, investigators believe, was linked to the July 25 bombing in Paris, although the Swedish secret police have called for his expulsion from the country.

Mr Debré had come in for criticism for suggesting, on the day Mr Kelkal was shot dead, that he was at the centre of the majority of the attacks across France. A further bomb exploded in Paris two days later.

The interior minister stressed yesterday the need for continued vigilance and warned that further attacks could take place.

He said the high-profile "Vigipirate" security operation which has mobilised hundreds of police and soldiers was being maintained.

Separately, reports continued yesterday of continued violence between youths and police in a number of troubled suburbs around France which are affected by high unemployment and serious social problems.

A number of commentators have suggested the riots have been inspired by the same causes of urban despair which have turned some youths of north African origin towards Islamic fundamentalism and links to terrorism.

Mr Alain Juppé, the prime minister, yesterday convened a meeting of ministers to discuss a range of new urban policies to be unveiled later this month.

A woman with ambition will be the biggest loser in the presidential election

Poland's central banker set to pay

By Christopher Bobinski in Warsaw

Kwasniewski: will call on his rival to resign from bank post

Gronkiewicz Waltz: central banker running for president

Walesa, her former mentor, has referred to her as a 'hyena'

The future of Ms Hanna Gronkiewicz Waltz as Poland's central bank chief looks increasingly doubtful as her struggling campaign to be elected president in this Sunday's elections has antagonised both the leading candidates.

Ms Gronkiewicz Waltz has guarded the National Bank of Poland's independent status assiduously since she was appointed by President Lech Walesa to a six-year tenure in 1992. She has followed tight monetary policies which have earned her the respect of foreign institutions such as the International Monetary Fund and her departure would raise concerns over the fate of the reform process.

But Ms Gronkiewicz Waltz's decision two months ago to stand in the election, with the avowed aim of building an anti-communist, Christian Democratic movement, has put her squarely into the political arena and her likely defeat will weaken the bank's ability to defend its status.

Already Mr Alexander Kwasniewski of the ruling former communist Left Democratic Alliance, who is currently the front-runner, has said he would ask Ms Gronkiewicz Waltz to resign if he won. The central bank has been in conflict with the country's Finance Ministry over interest rate policies for over a year and Ms Gronkiewicz Waltz recently warned that changes planned by the government in Poland's banking law amounted to an attempt to limit the central bank's independent status.

Mr Lech Walesa, who is close behind in the opinion polls, has called her decision to run in the elections an act of treachery. Mr Walesa – who appointed her when she was a little-known academic lawyer specialising in banking law – has referred to her as that "hyena", while her campaign has presented Mr Walesa's presidency as "chaotic". Such exchanges leave little room for harmonious co-operation in defence of the bank, under her tenure, even were Mr Walesa to win a second term.

For the moment she is refusing to comment about her future. "I still have a chance of getting into the second round of the elections and then I will beat Alexander Kwasniewski," she says gamely, dismissing polls which show her getting between 2.5 per cent and 5.0 per cent support as "variable". Under the election law if none of the 13 candidates currently standing gets 50 per cent in the first round then the top two go forward into a second round on November 19.

Even were Ms Gronkiewicz Waltz not to resign on the victory of either of the leading candidates, parliament may decide for her. The change in the bank's status planned by the government would mean that she would have to have her mandate confirmed by parliament or be replaced.

Mr Walesa yesterday confidently focused on his plans after clinching victory, and said various factions of his splintered old Solidarity movement were rallying behind him.

"The Solidarity union and many political parties are already behind me, and the rest will come round after November 5," he said.

Mr Leszek Moczulski, head of the populist Confederation for an Independent Poland, said he quit the race to boost Mr Walesa's chances, as did Mr Bogdan Pawlowski, a businessman. This brought the number of candidates to 13 from the original 17.

Mr Walesa, meanwhile, warned Mr Kwasniewski's communists turned social democrats that if they won, demands to settle accounts for abuses of the pre-1989 communist era could rise to a clamour.

Russians find capitalism is in the genes

John Thornhill sees an awakening from 74 years of communism

One of the early fears of Russia's market reformers was that the ideological deadweight of 74 years of communism might have extinguished the country's "capitalist genes". One of the concerns of the present government is that those animal spirits may be proving uncontrollable. The turnaround, in some parts of the Russian economy in the space of four years, has been striking.

Since the collapse of communism, there has been an explosion of private sector activity in Russia, with whole new sectors such as broking, banking, retailing and advertising being created.

As the old state sector crumbles, a new generation of entrepreneurs has been busy creating a slew of private companies which have grown from nothing into enterprises with multi-million dollar turnovers. The experience of two groups of entrepreneurs in Yekaterinburg, a formerly closed industrial city 1,500km east of Moscow, illustrates some of the wider trends.

Mr Andrew Bril, who runs the Quorus group, and Mr July Magadeev, who is president of a company called the Delrus Association, are young, educated entrepreneurs, who never intended to go into business but have ended up running enterprises employing 400 people between them. Both stress that they are far from unique in Yekaterinburg; they know many more powerful entrepreneurs in the region.

The businesses they run have evolved – by necessity – from trading and service companies. Only by buying and selling goods over a short space of time was it possible to finance the expansion of any enterprise, given the crippling rates of interest on bank finance in a high-inflation environment and the impossibility of raising equity capital. They were also able to call in favours and finance from their circle of family and friends, a system that provides the backbone of so much of Russia's new economy.

Mr Arkady Guzovsky, a former geologist who is now vice-president of Delrus, started in business by flying to Vietnam and importing cheap consumer goods such as T-shirts and the cure-all tonic ginseng. But his company, which employs 250 people and expects to turn over $30m this year, now specialises in the distribution of medical products, such as blood bags and surgical equipment, which it imports from the US, where it has opened two offices in California and Boston.

"I was earning $7 a month in my past profession so it was not a difficult career decision to make," says Mr Guzovsky.

Mr Bril started out as a computer engineer but then set up a private business to sell solutions to the emerging banking sector. The company has sinced spread its business into providing computer services to the newly privatised companies and private trading entities.

Quorus has 150 full-time employees and had a turnover of more than $9m last year. It operates from an unprepossessing tower block of dingy corridors and idiosyncratic lifts and expects to see its revenues grow by 20-30 per cent this year.

Both companies are becoming increasingly sophisticated organisations and are now forging links with foreign businesses. In Quorus's case the company has just struck a deal with Dun & Bradstreet, the business information group, to provide market research about Yekaterinburg. Delrus has become one of the biggest Russian distributors for Baxter, the US healthcare group.

"These guys are very bright," says Mr Nick Wright, managing director of Baxter's Russian office. "You only have to tell them something once and they know it better than you."

> 'The trouble for the banks is that there is a long tradition in Russia that people borrow money and never give it back'

Both companies believe that economic stabilisation is beginning to take effect.

"There are definite signs that financial speculation has ended and that banks are starting to look at longer-term investments," says Mr Bril. "The trouble for the banks is that there is a tradition in Russia that people borrow money and never give it back."

Unlike their communist forebears, these new entrepreneurs do not worry much about national politics.

But the newly elected regional governor, Mr Eduard Rossel, has promised to strengthen local powers and Delrus's directors believe Yekaterinburg is emerging as an attractive business centre with good transport links and a skilled workforce. Salaries are on average only a quarter of those in Moscow.

"It will be far more profitable for us to manufacture in Russia than import. We are discussing building a medical products plant in Yekaterinburg," says Mr Magadeev.

Many of the first generation of Russian private businesses will doubtless fall by the wayside.

But the entrepreneurs are prepared to work hard and experiment and exude a sense of raw dynamism not always evident in western Europe. "People in the west have forgotten how to be capitalists," says Mr Bril.

ANC heads for sweeping victory in local elections

By Roger Matthews and Michael Holman in Johannesburg

The African National Congress appeared set for a sweeping victory in Wednesday's local government elections, consolidating its dominant role in South African politics at the expense of the National party.

Incomplete results last night gave President Nelson Mandela's ANC close to 60 per cent of the vote, and indicated that the party had made significant gains among the "coloured" (mixed race) voters of the Western Cape.

Coloured support for the National party, headed by former president F.W. de Klerk, in last year's general elections helped secure victory in the Western Cape provincial assembly, the only regional administration it controls.

Although the voting pattern is incomplete – polling has been postponed in Cape Town because of disputes over electoral boundaries – the result is a blow for the National party. The ANC claimed it had won 68 per cent of the coloured wards in the Western Cape, with 10 per cent more taken by allied parties.

"This disproves academic contentions that the coloured community stood firmly behind the National party," said Mr Cyril Ramaphosa, the secretary general of the ANC.

Mr Ramaphosa said the party "felt humbled by the confidence and support that the public have again shown in us". But he accompanied this with an attack on parts of the media which, he claimed had, through their reporting, undermined the legitimacy of the elections and damaged business confidence. "Some newspapers are out to systematically create a negative impression... about the general success of the local government elections," he said.

If the ANC does secure 60 per cent of the national vote, it will be only slightly less than in the general election in April 1994. Voter turnout averaged about 60 per cent in urban areas, although only some 77 per cent of those eligible to vote registered for the elections.

The turnout was particularly disappointing in the Johannesburg metropolitan area, where only one in three registered voters cast a ballot. The ANC blamed this in part on administrative problems, but the extent of voter apathy must cause serious concern to the party. Even so the ANC claimed that it had captured the entire inner city area.

Outside the Western Cape, the vote for the National party, a junior partner in the government coalition, appeared to be holding up reasonably well compared with the general election.

There were still insufficient results last night to assess the performance of the Freedom Front and the Conservative party, the rightwing parties which had been angered by the disclosure at the weekend that General Magnus Malan, a former defence minister, and 10 other senior retired officers, were to be charged with murder.

Gen Malan and his former colleagues were yesterday charged in a Durban court with the murder of 13 blacks attending a prayer meeting in 1987. The men were released on bail of R10,000 (£1,700).

Murder charge: former defence minister Magnus Malan speaking outside the court yesterday AP

Kenya scraps exchange control

Kenya has officially scrapped its virtually obsolete Exchange Control Act in a signal to the donor community of its long-term commitment to economic liberalisation.

The formal repeal of the act, approved by parliament with a unanimous vote on Wednesday night, marks the final step in the reform process launched two years ago by Mr Musalia Mudavadi, the finance minister, to free the Kenyan shilling and attract foreign investment to the Nairobi Stock Exchange.

Mr Mudavadi introduced measures giving the shilling nearly complete convertibility in May 1994. Kenyans were allowed to invest up to $500,000 outside the country without central bank authorisation and exporters were permitted to retain foreign currency proceeds instead of surrendering part of their earnings.

But the fact that the Exchange Control Act, while ineffective, remained on the statute books was a worry for foreign investors who feared that President Daniel Arap Moi could put Kenya's reform process into reverse at a moment's notice. Its repeal was regarded by the International Monetary Fund as a sign of the country's seriousness towards reform.

Michela Wrong, Nairobi

Moroccan sell-off plans boosted

Plans for privatisation of Morocco's biggest refinery gained momentum yesterday with completion of an evaluation report on Samir (Société Marocaine de l'Industrie et du Raffinage). The report, handed to the ministry of privatisation, will pave the way for an evaluation of the minimum price at which Samir can be privatised by the end of 1995. Analysts say the company could be valued at anywhere between $300m and $1bn. Some 20 per cent of the company is expected to be sold on the Casablanca stock exchange, while a majority stake should go to a strategic partner.

Roula Khalaf, London

Edgy Egypt puts the brake on its economic reforms

Cairo is worried about social disaffection, writes James Whittington

Stranded in a warehouse in the Mediterranean port of Alexandria are 15km of piping destined for one of the many new tourist resorts being developed along Egypt's Red Sea riviera.

The fact most of the piping should already have been laid has not been lost on local and foreign investors who have committed about $100m to transform the desolate peninsula of Ras Abu Soma into a holiday destination. While the offending bureaucratic hurdle is being brought to the attention of higher authorities, the investors can do little but wait.

Patience is an essential virtue in Egypt, where economic reforms have slowed to a glacial pace over the past year. After stabilising the macroeconomy since 1991, President Hosni Mubarak's government has eschewed more wide-ranging and rapid structural reforms in favour of a protracted period of change.

This has caused disagreement with the International Monetary Fund and western donors, who are still no closer to approving a write-off of the third and final tranche of Paris Club debt – worth $4bn in current value terms and costing the government $350m a year in servicing – than they were more than a year ago. The slow pace also continues to hinder much needed investment.

Thus far, the record speaks for itself. Since 1991 annual inflation has fallen from nearly 20 per cent to 9.7 per cent in August and the budget deficit was slashed from 17 per cent to 1.7 per cent of gross domestic product in fiscal year 1994/95.

High remittances and increasing tourism revenues have maintained a healthy current account surplus – though the trade deficit continues to grow – and foreign exchange reserves excluding gold have risen from $6.8bn at end-June 1991 to $18.2bn at end-June 1995, representing a comfortable 18 months' import cover.

Of more than 300 public sector companies slated for privatisation, only four have been sold outright. Others have shed minority stakes on the stock market and to their workforce. Progressive lowering of tariffs stopped last year at a 70 per cent maximum rate. And a raft of legislation for deregulation, such as laws on labour, companies, anti-trust and foreign ownership of property, have all been delayed.

Anti-reformists argue that, in a country where Moslem fundamentalism traditionally channels social grievances into political opposition, an unofficial jobless rate of 15-20 per cent is already too high and the third of Egypt's 60m inhabitants who live below the poverty line too many.

But it is precisely these fears that donors and multilateral organisations say necessitate faster structural reforms. In a document prepared by the IMF for this year's annual consultations with Egypt, the Fund's staff concluded that the government's current policy stance would undermine its economic achievements so far.

"Egypt's economy needs real growth of at least 7 to 8 per cent to absorb the annual 500,000 new entrants in the workplace, create new jobs for the unemployed, and have a noticeable effect on poverty levels," says Mr Said el Naggar, a local economist.

Ministers say the government recognises this and they are still firmly committed to reform. But, says Mr Youssef Boutros Ghali, minister for international co-operation, it has to be "an indigenous process, driven by local considerations and not processed by the outside world".

This view has been paramount in Egypt's long-running row with the IMF over the country's exchange rate policy which has bruised relations on both sides and helped contribute to the slowdown in the pace of reform.

The Fund argues that a "de facto fixed parity" of the Egyptian pound against the US dollar and an inflation rate differential with its main trading partners has caused the real effective exchange rate to appreciate by about 35 per cent over the past four years. To improve external competitiveness, it recommends a devaluation of at least 25 per cent as part of the next stage of reforms.

President Mubarak has firmly ruled out any devaluation and the financial markets have so far shown no serious signs of disagreeing.

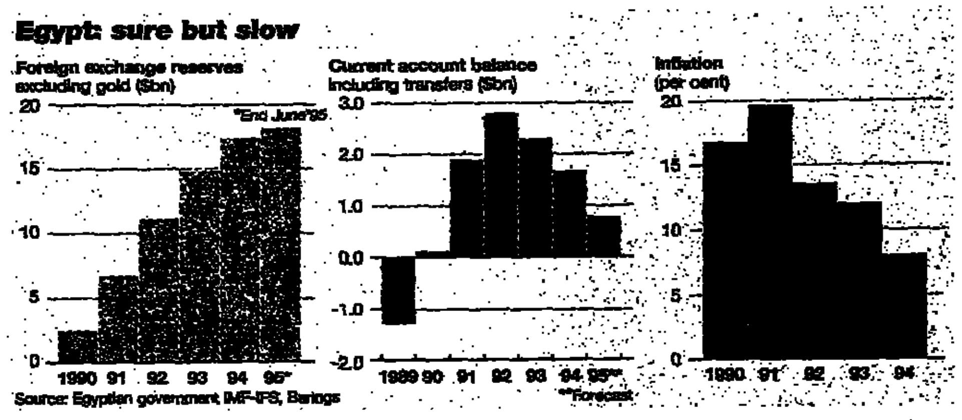
"There are many other ways we can improve our competitiveness since price is not the major factor affecting export growth," argues Mr Mahmoud Mohamed Mahmoud, minister of economy and foreign trade. "Instead we need to increase production, focus on better quality and find new markets."

To help achieve this a special exports committee, with the president as chairman, has recently been set up. The latest trade figures bear out the efforts made so far.

In the first 10 months of the current fiscal year, non-traditional exports (excluding petroleum and cotton) grew by 71 per cent from $1.23bn to $2.11bn, out of total exports of $3.35bn at the end of April. The government has set a target for export revenues of $10bn by the year 2000.

Meanwhile, most businessmen believe that patience will continue to be the key word while fundamental legal, regulatory and bureaucratic obstacles remain. Which explains why private sector investment in Egypt accounts for an estimated 10 per cent of GDP – a relatively low figure compared with other emerging countries – and foreign direct investment amounts to less than 1 per cent of GDP.

Egypt: sure but slow



Source: Egyptian government IMF-IFS, Barings

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 03.11.95: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.02	8.10	8.10
0100	8.93	8.10	8.10
0130	8.93	8.10	8.10
0200	8.93	8.92	8.92
0230	9.02	8.92	8.92
0300	8.98	8.92	8.92
0330	8.98	8.10	8.10
0400	8.98	8.10	8.10
0430	8.97	8.10	8.10
0500	8.96	8.10	8.10
0530	8.97	8.91	8.91
0600	9.00	8.92	8.92
0630	9.02	8.98	8.98
0700	19.42	15.88	17.42
0730	21.14	15.97	17.52
0800	21.16	16.88	18.47
0830	22.96	16.97	18.59
0900	28.33	17.11	18.78
0930	30.17	17.18	18.87
1000	30.17	19.59	21.31
1030	30.18	19.61	21.34
1100	26.32	20.06	21.83
1130	26.31	38.68	38.69
1200	38.79	38.92	38.59
1230	38.78	38.49	38.42
1300	38.77	20.49	22.27
1330	31.58	19.36	21.03
1400	21.14	16.89	18.49
1430	20.82	16.82	18.38
1500	20.82	16.79	18.35
1530	20.82	16.77	18.31
1600	9.10	16.46	18.01
1630	21.88	16.50	18.07
1700	61.71	16.58	18.18
1730	82.79	19.23	20.84
1800	83.36	19.23	20.83
1830	84.14	19.29	20.92
1900	57.98	26.61	28.25
1930	41.52	26.58	28.21
2000	23.15	23.20	24.79
2030	24.40	19.05	20.59
2100	22.82	17.47	19.01
2130	22.82	17.47	19.00
2200	20.82	15.88	17.42
2230	16.95	15.88	17.42
2300	15.68	14.06	15.59
2330	9.02	12.79	14.33
2400	8.97	9.02	9.02

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.84/MWh becomes 1.684p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0715 845 6720 between 8:30am and 5:30pm Monday to Friday.

Double agents loyal to KGB exaggerated Moscow's military strength

CIA under fire over Soviet mole

By Jurek Martin in Washington

The Central Intelligence Agency has come under new and withering fire for what it has conceded this week were serious errors of judgment stemming from the penetration of its activities by Mr Aldrich Ames, the Soviet "mole" now in jail for life for treason.

The most damaging admission to Congress was that the CIA routinely passed on intelligence of an exaggerated Soviet military threat to the White House without warning that it came from tainted sources – double agents still loyal to the KGB who had been recruited to replace those spies executed after being betrayed by Mr Ames to Moscow in the 1980s.

That, in turn, probably influenced US defence procurement policies, including the decision to go ahead with the new F-22 fighter, the research and development costs of which exceed $2bn (£1.2bn) in next year's budget.

Compounding the anger of many in Congress has been a letter from three former CIA directors, Mr William Webster, Mr Robert Gates and Mr James Woolsey, saying they should not be held "personally accountable" for what they admitted was "a serious breach in the integrity of the intelligence process".

Instead, their letter, sent to Mr John Deutch, the current director, pointed a finger of blame at Mr Frederick Hitz, the CIA inspector general appointed by Congress, for having "buried" in a 1991 report the extent of the damage caused by Mr Ames.

The three can expect a testy welcome from the Senate intelligence committee when they testify next week. Senator Bob Kerrey of Nebraska, senior Democrat on the committee, said: "I intend to make them regret attempting to influence" Mr Deutch by seeking "more favourable treatment" than available to lower-ranked CIA employees.

Senator Daniel Patrick Moynihan, the New York Democrat, went further by saying, "It's not too late to make the case for closing it down permanently." Mr Kerrey, recommending root-and-branch reform, said the CIA needed "the organisational equivalent of a sex-change operation".

Mr Deutch, like Mr Woolsey before him, has already disciplined several present and former CIA officials over the Ames affair but is also facing criticism that his punishments have been too light. The mood of Congress, shared by left and right, is such that sanctions may be demanded against its former heads.

He may also find a dusty congressional reception for his plan to get the CIA further into the post-cold war area of industrial espionage, a course set tentatively in train by Mr Woolsey. Mr Moynihan commented acidly that it was not "honourable" to engage in "industrial spying, shoplifting and credit card fraud".

Japan sharply criticised the US last month following revelations that the CIA had bugged its representatives during the recent round of negotiations on the trade in cars. The fact that US trade officials insisted that the information gleaned was of little value did little for the CIA's reputation.

Mexico unveils social security reforms

By Daniel Dombey in Mexico City

Mexico's government has unveiled plans to reform its crisis-ridden 46bn pesos (£4.17bn) social security sector and increase domestic savings through more efficient use of pension funds. The proposals will form the basis of bills to be sent to Congress in the next few weeks.

The plans reject privatisation of the pensions sector. But they call for the creation of individualised savings accounts, to be invested "productively" rather than just in government debt. These may be managed by investment societies, private or public, as the contributor chooses.

The reforms, a centrepiece of the 11-month-old administration's plans, should allow state Mexican Social Security Institute pension funds to be partly invested in private businesses.

President Ernesto Zedillo said it was important "the funds accumulated in the new system of pensions are used to increase national savings and consequently national investment". He has argued that Mexico needs to increase domestic savings, which fell from 22 to 16 per cent of national income in the six years to 1994, if it is to grow fast enough to absorb an expanding labour force.

The reforms aim to eliminate cross-subsidies between the various arms of the IMSS. In the past it has financed its deficit-stricken health services with pension contributions and channelled funds to projects such as theatres and sports stadiums. The government will increase its direct financing of the health sector while cutting the size of the IMSS workforce of 340,000.

"These proposals are vague and rather disappointing," said Mr Jonathan Heath, a Mexico City-based economist. "The permission they will give to the investment societies is an advance, but there are no clear guidelines about how investment can be made."

Latin America hurt by currency policy

By Stephen Fidler, Latin America Editor

The single largest contributor to the volatility in gross domestic product in Latin America is "the region's tendency to commit itself to pegged exchange rate regimes", according to a controversial report published today by the Inter-American Development Bank.

The report suggests economic instability has cost Latin America at least one percentage point a year in growth and has sharply worsened poverty in the region.

Release of the report, as part of the bank's annual publication, Economic and Social Progress in Latin America, was delayed for a month amid heated internal debate in the bank.

The research, prepared by a team led by Mr Ricardo Hausmann, the bank's chief economist, has been criticised by some economists for using dubious methodology in drawing its conclusions.

Publication was also delayed as breaches of the bank's code of political correctness – in which member government economic policies are criticised only in the most oblique terms – were ironed out.

Between 1970 and 1992, a period which the report says does not reflect the beneficial impact of economic reforms of the late 1980s and 1990s, Latin America suffered more, longer and deeper recessions than industrialised countries.

Controversial IADB report tries to explain shortcomings in regional performance

Economic volatility – caused by terms of trade and capital flow shocks, inadequate monetary and fiscal policies, underdeveloped financial markets and other factors – has cost the region an average annual one percentage point of growth, the report says.

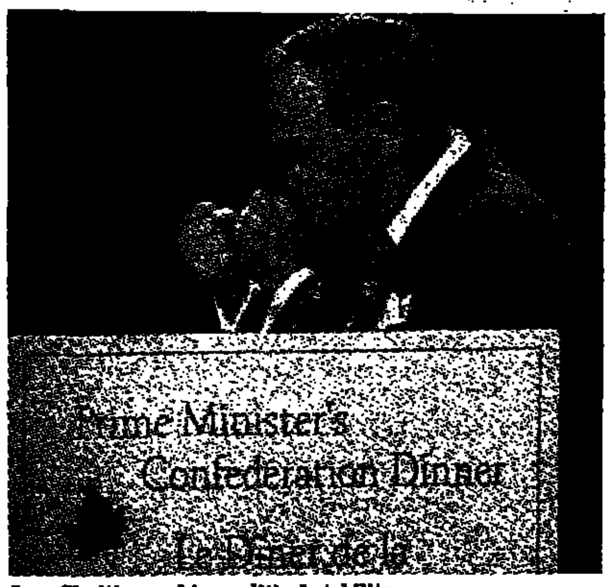
Volatility cost some countries more: Bolivia an "incredible" 3.5 percentage points a year, Venezuela more than 3 points, and Ecuador, Nicaragua, Argentina and Peru more than 1.5.

This worsened poverty because the poor are the most vulnerable to economic instability. "If Latin America's macroeconomic instability had been more like that of the industrial economies, roughly 7 per cent of the region's population, or 25 per cent of the poor, would have been lifted out of poverty," the report concludes.

It says the volatility of the region's exchange rates is due mainly to problems in monetary policy and political instability.

Policy recommendations for governments include choosing a sustainable exchange rate regime. "For most countries in the region, this implies some form of flexibility either through managed floating or through adjustable pegs."

Overcoming Volatility in Latin America, prepared by a team led by Ricardo Hausmann and Michael Gavin, Office of the Chief Economist, published in Economic and Social Progress in Latin America, 1995 edition. Inter-American Development Bank, Washington DC 202 623 1000.



Jean Chrétien seeking political stability AP

AMERICAN NEWS DIGEST

Chrétien seeks end to acrimony

Mr Jean Chrétien, Canada's prime minister, has appealed to English-speaking Canadians to show generosity towards Quebec if their country is to remain in one piece.

However, he also indicated in a speech in Toronto yesterday that his government will try to thwart efforts by Quebec separatists to hold another independence vote on the heels of their narrow defeat in last Monday's referendum. "We have done it [vote on Quebec secession] twice, and we cannot carry on doing it forever," the prime minister said.

Meanwhile a handful of MPs representing the Bloc Québécois, the official opposition in the federal parliament, may step down soon, Mr Lucien Bouchard, the BQ's leader, said yesterday.

Depending on the outcome of by-elections, the move raises the possibility that the rightwing Reform Party, whose base is in western Canada, could take over as the official opposition, giving it a higher profile and access to more parliamentary resources. The BQ currently holds 53 seats and the Reform party 52. *Bernard Simon, Toronto*

Talks offer hope for Nasdaq

The US Securities and Exchange Commission and the National Association of Securities Dealers have started preliminary talks which could produce a non-disciplinary settlement of the SEC's review of the Nasdaq stock market's dealings.

The SEC launched its inquiry into automated quotations a year ago, after market makers were accused of colluding to keep spreads between buying and selling prices wide. The SEC is focusing on the market's rules and their enforcement. It has the right to bring civil charges against NASD.

Insiders suggest the SEC was impressed by NASD's rapid acceptance of recommendations proposed by the Rudman committee in September. It recommended greater public representation on the NASD and Nasdaq boards, and a separation of the disciplinary side from the operational activity.

NASD has written to members saying their fees will have to rise to cover the increased cost of regulation following the Rudman recommendations. *Maggie Urry, New York*

Capital gains tax objections

Representatives of foreign companies are lobbying hard against a little-known provision in the Senate budget reconciliation bill, which would levy a 10 per cent up-front tax on capital gains of "foreign persons" owning 10 per cent or more of the stock of a US corporation.

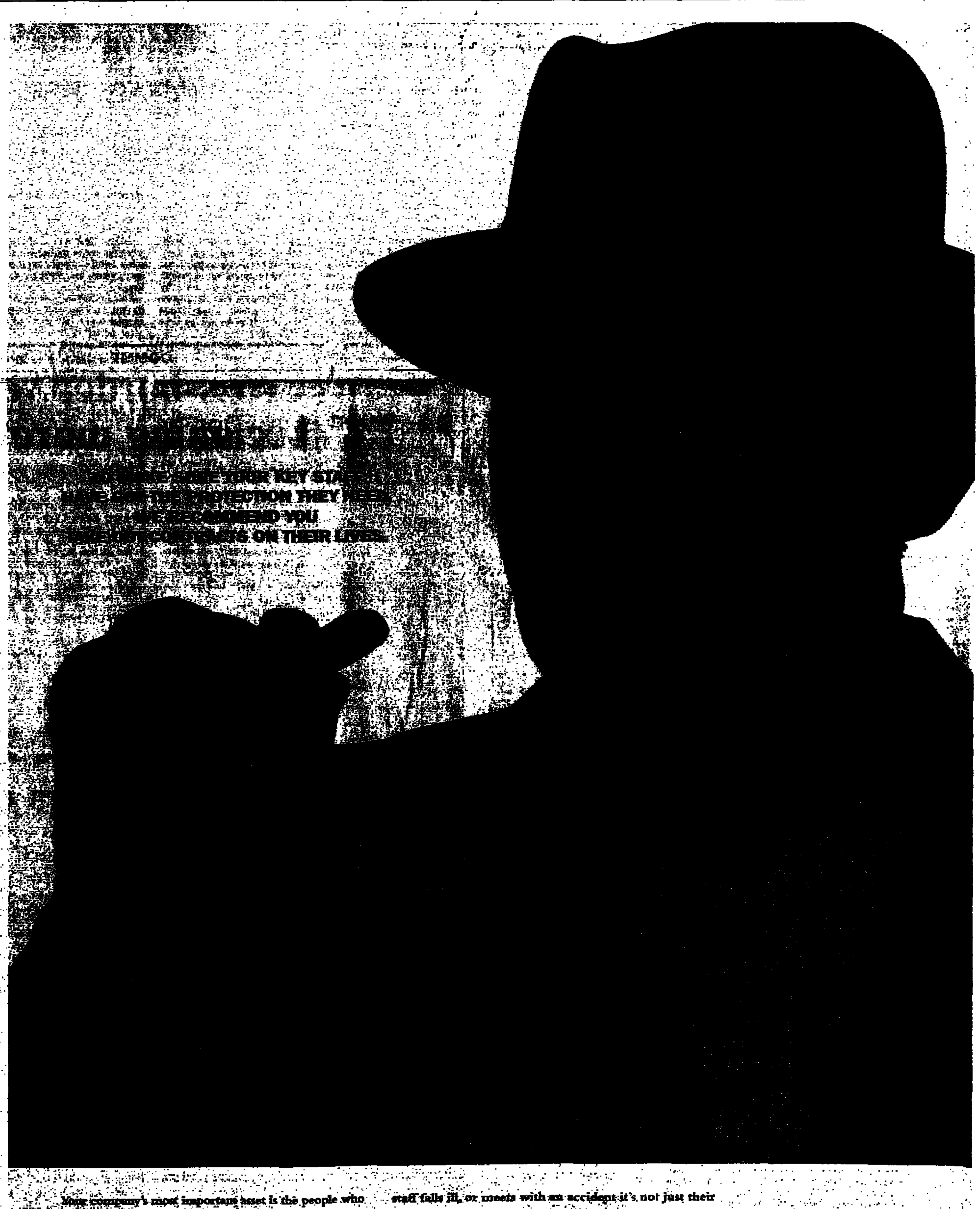
The only exception is when a foreign person is a "qualified resident" of a country with which the US has a tax treaty which specifies that capital gains shall not be taxed.

The US has a number of treaties with no provision on capital gains, including Australia, Austria, Denmark, Greece, Ireland, Luxembourg, Norway, Switzerland and the UK – the largest investor in the US.

The Organisation for International Investment says taxing capital gains paid to foreigners is contrary to widely accepted international principles that only the country of residence of a shareholder should tax gains on stock sales. They say the provision would discourage foreign investment in the US and encourage foreign governments to impose similar taxes on US investors. The plan was opposed by the US treasury and a number of US industry groups. *Nancy Dunne, Washington*

Colombian politician shot dead

Mr Alvaro Gomez Hurtado, a prominent Colombian Conservative politician and an outspoken critic of the government, was shot by two gunmen yesterday morning as he left a university law faculty in the north of Bogotá. He died during emergency surgery not long after reaching a private clinic. An adviser to Mr Gomez was also killed in the incident. *Sarita Kendall, Bogotá*



NEWS: WORLD TRADE

WORLD TRADE NEWS DIGEST

IBM to invest $1bn in France

International Business Machines, the US computer company which is also the world's largest full-range semiconductor manufacturer, plans to invest $1.4bn expanding its chip-making facilities in Essones, France, and Burlington, Vermont. IBM joins other chip manufacturers across the world investing billions of dollars to increase capacity because of a world-wide scarcity of some common components caused by the rapid growth of the personal computer, telecommunications and consumer electronics businesses.

IBM will invest about $1bn at Essones, one of its oldest European plants best known for making 16 megabit (million binary digit) direct access memories and high speed bipolar chips. It will install equipment for the manufacture of 64 megabit memories.

Some $400m will be invested in Burlington in manufacturing equipment for microprocessors, controllers and multimedia devices able to code and decode moving pictures and sound for transmission over telecoms networks. *Alan Cane*

Car part makers target Japan

UK vehicle component makers have ended a two-week tour of Japan aimed at recovering the UK industry's share of the Japanese market. Twenty manufacturers held talks with vehicle and construction equipment makers throughout Japan and several component orders secured orders.

Japanese car manufacturers, in an effort to reduce their costs, have becoming more open to the prospect of purchasing foreign components because of the strength of the yen. Foreign pressure on the Japanese vehicle industry to increase foreign procurement has also made a difference to Japanese attitudes. Japanese car plants in the UK buy from UK suppliers, but this is the first UK mission by car parts suppliers to Japan. *Michiyo Nakamoto, Tokyo*

Daewoo to build telecom HQ

Daewoo of South Korea has won a contract to build the M$700m ($280m) headquarters for Telekom Malaysia, the partially privatised telecommunications utility. The new building, featuring a tower block of offices, an auditorium, food centres and a sport hall, is scheduled to in central Kuala Lumpur by 1998.

Some analysts have criticised the Telekom building project as too grandiose and a waste of corporate funds. An office building programme in Kuala Lumpur over the last two years has resulted in large tower blocks in some parts of the city, resembling Manhattan. Buildings under construction include twin towers which, when completed, will be the world's tallest office structures. *Kieran Cooke, Kuala Lumpur*

■ Taiwan's Great China Airlines has ordered its 12th 50-passenger Dash-8-300 turbo-prop commuter aircraft worth C$12m (US$8.7m) from Bombardier, the Canadian aerospace and transit equipment group. *Robert Gibbens, Montreal*

■ Fujitsu of Japan yesterday said it had won a Y1.6bn ($16m) order from China for a client server system based on its FMV personal computers. The order, from China National Instruments Import and Export Corporation, is the first large order outside Japan for FMV PCs. *Reuter, Tokyo*

■ Motorola of the US is to sponsor a joint product development laboratory in Beijing with China's State Science and Technology Commission. Motorola will hold a 50 per cent stake in the project to research and develop advanced computer technology based on its chips. *Reuter, Beijing*

Eleventh-hour pre-summit talks will attempt to remove obstacles to free trade plan

Apec to try again on farm trade

By William Dawkins in Tokyo, Guy de Jonquières in London and Nikki Tait in Sydney

Pacific Rim leaders' hopes of agreeing this month on decisive steps to implement their ambitious plan for free trade in the region seem likely to hinge on last-minute pre-summit negotiations between trade ministers.

Less than three weeks before the 18 leaders of the Asia Pacific Economic Co-operation forum meet in Osaka, Japan, on November 19, senior officials of their governments remain divided over politically sensitive elements of the scheme.

Mr Hidehiro Konno, Japanese chairman of the summit working groups, said yesterday officials would make one final attempt to agree before trade ministers meet on November 16 and 17.

If they failed, the ministers would have to try to settle the differences.

The Osaka meeting aims to approve a detailed blueprint for implementing the commitment by the last Apec summit, in Bogor, Indonesia, a year ago, to dismantle all trade barriers in the region by 2020 – and by 2010 in advanced Apec economies.

Officials of several governments say they fear any large gaps in the blueprint would jeopardise its credibility.

The thorniest issue, and potentially the most embarrassing to Japan as summit host, is farm trade. Japan cannot guarantee to open its market rice market fully by 2010. Liberalisation is also opposed by farmers in China, South Korea and Taiwan.

Most other Apec members insist that the blueprint must involve full liberalisation of all categories of trade, and say that giving agriculture special treatment would invite similar demands from other sectors.

Japanese officials say they are not seeking to exclude rice trade from Apec. But the country is unwilling to go beyond its pledge in the Uruguay Round world trade agreement to allow limited imports until 2001, after which it will hold negotiations on further liberalisation in the World Trade Organisation.

Another unresolved question is whether each Apec member should extend the benefits of its liberalisation fully to all others.

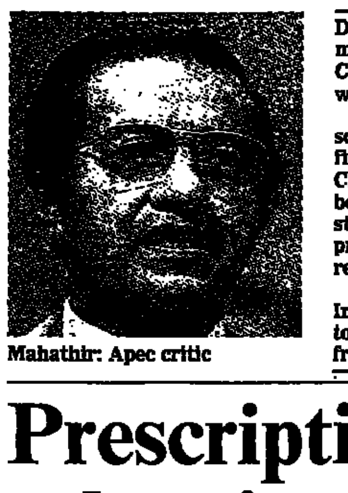
The issue is of particular concern to Washington, because the US administration lacks authority to grant Most Favoured Nation trading status to China, which does not belong to the WTO. China's MFN treatment has to be renewed annually by the US Congress.

The least contentious of the unresolved pre-summit issues is whether individual Apec members should be free to liberalise at their own speed, or whether there should be pressure on slower-moving countries to speed up. Japanese officials say this point is a matter of wording.

Officials have agreed a draft "action agenda" to be published at Osaka. It proposes that each member start work immediately on liberalisation programmes in 15 areas, to be presented at next year's summit.

The officials have also agreed that each Apec member should bring "initial actions" to Osaka, to get the free trade process under way. But it is unclear that most leaders will do more than list trade measures announced since their Bogor meeting a year ago.

That would fall far short of a recent recommendation by a group of Apec advisers that the leaders make a "down payment" on regional free trade by pledging to implement their Uruguay Round commitments in half the time currently planned.



Mahathir: Apec critic

Dr Mahathir Mohamad, Malaysia's prime minister, will attend the Asia Pacific Economic Conference summit in Osaka later this month, writes Kieran Cooke in Kuala Lumpur.

Dr Mahathir has been an outspoken critic of some aspects of Apec and refused to attend its first summit in Seattle hosted by President Bill Clinton two years ago. Subsequently relations between Malaysia and Australia became strained after Mr Paul Keating, the Australian prime minister, described Dr Mahathir as a recalcitrant for his non-attendance.

Dr Mahathir did attend a similar meeting in Indonesia last year but raised strong objections to a communiqué setting out a timetable for free trade within the grouping. He has frequently raised concerns that Apec could develop into a trade bloc dominated by its more advanced members, particularly the US.

Dr Mahathir said he was satisfied that there would be no surprise decisions in Osaka as it seemed everybody had been consulted about a resolution likely to emerge from the meeting. "We still think Apec should focus on the problems of the small, weaker economies rather than think exclusively about opening markets," he said.

Preparations for the summit have become bogged down over arguments about free market access in the grouping: Japan and South Korea have objected to further opening of their agricultural sectors to imports.

Prescription drug sales rise by 9%

By Daniel Green

World sales of prescription medicines rose to $90.5bn during the first eight months of this year, nine per cent higher than for the same period of last year, according to a report published today.

However, the rate of growth is slower than increases registered earlier in the year, according to data from IMS, the specialist drugs industry consultancy.

The increase in sales for the first six months was 11 per cent and for the first quarter it was 13 per cent. A year ago the rate of growth was just 4 per cent.

The expansion is being fuelled by sales in the US, the world's largest market and also one of the fastest growing. US sales for the first eight months of 1995 were up 10 per cent at $35.1bn.

Japan, the second biggest market, grew at the same rate to reach sales of $17.8bn, excluding exchange rate movements.

Sales growth in most European countries was overall slightly lower than for the first seven months of the year. The UK and Spain were the fastest growing markets, although the Spanish figures represent a recovery from low growth last year following cost control measures.

Among medical areas, blood agents overtook musculo-skeletal products in totalsales for the first time.

This is likely to be at least partly because the blood agents sector includes the fast growing biotechnology products Epogen and Neupogen, which treat problems with red and white blood cells which can be caused, for example, by chemotherapy for the treatment of cancer. Both drugs were developed by Amgen, the US company.

In addition, sales of musculo-skeletal drugs include anti-inflammatory products for arthritis that have lost patent protection.

They include Naproxen, which is made by the US company Syntex, itself taken over last year by Switzerland's Roche.

Blood agent sales were worth $5.05bn in the eight months to August, up 11 per cent on the same period of 1994.

Musculo-skeletal drug sales rose 4 per cent to $5.04bn.

The two fastest growing medical areas are in anti-infectives – which includes antibiotics and the fast expanding area of anti-virus drugs – and respiratory products, most of which treat asthma, the incidence of which has been growing rapidly.

Sales of anti-infectives grew by 16 per cent to $9.5bn while sales of respiratory drugs grew by the same amount to $9.1bn.

World pharmacy drug purchases January-August 1995 ($m)

	N. America	Japan*	Germany	France	Italy	UK	Spain	Neth'lds	Belgium
Cardiovascular	5,908	2,714	2,559	2,330	1,078	682	620	250	260
Alimentary/Metabolism	6,082	3,272	1,892	1,502	846	814	512	307	197
Central Nervous System	6,535	868	1,182	1,138	515	572	380	166	208
Anti-infectives	3,543	2,403	773	1,193	654	295	388	81	152
Respiratory	3,947	1,599	1,170	746	344	624	306	194	120
Blood Agents	1,731	1,618	439	580	293	75	183	67	54
Musculo-Skeletal	1,501	1,689	559	460	290	250	162	57	68
Others	8,133	3,677	2,386	1,561	955	779	555	250	225
Total	37,380	17,840	10,960	9,506	4,975	4,091	3,106	1,372	1,284
% Change**	10	10	8	5	4	9	12	6	8

Source: IMS International

*Non-hospital market only **Increase excluding currencies

Cross-border ventures becoming more common

By Ian Rodger in Zurich

Cross-border joint ventures have become more common in recent years and are frequently the only way for a western company to circumvent protectionist measures in an emerging market. In other cases they provide a a cheap method of testing the water in a new market.

According to a study* of 49 such ventures, the success rate of cross-border alliances was only about 50 per cent. Many did not last for any great length of time, with one or the other partner usually taking over complete ownership.

Moreover, alliances between strong and weak companies rarely worked, and 50/50 ventures tended to work better than majority/minority ones, according to the authors, McKinsey management consultants Joel Bleeke and David Ernst.

"When one parent has a majority stake, it tends to dominate decision making and put its own interests above those of its partner or, for that matter, of the joint venture itself. Both partners tend to be worse off as a consequence.

"When ownership is even, it is more likely that the joint venture will be set up as a separate entity with its own strong management," they write, adding that 50/50 deals built trust by ensuring that each partner was concerned about the other's success".

Two thirds of the alliances studied ran into serious managerial or financial trouble within the first two years, highlighting the need for flexibility to let them evolve their roles and goals with changing circumstances.

"It is inevitable that the objectives, resources and relative power of the parents will gradually change," they observe.

Mr Göran Lindahl, ABB's executive vice-president responsible for three joint ventures announced yesterday, defended this approach. "They have good people in Russia and the Ukraine but they lack processes, management, technology and money. Whether it is a 25/75 or a 75/25 venture does not matter. What matters is if you see it as a partnership to which you can both contribute. One and one should make three."

* *Joel Bleeke and David Ernst: The Way To Win In Cross-Border Alliances, Harvard Business Review*

ABB in Russian cable deal

By Ian Rodger

Asea Brown Boveri, the Swiss-Swedish power engineering group, has established two joint ventures in Russia to supply high technology cables and circuit breakers. The Zurich-based group believes sales of the two ventures could reach $100m in two years.

Mr Göran Lindahl, ABB executive vice-president responsible for power transmission and distribution, said Russian demand for the type of cables to be produced by the joint venture should soon reach $500m a year.

ABB has taken a 75 per cent stake in the cable venture, ABB Moskabel, with two Russian companies, Moskabelmet and Mosenergo, taking the rest. These companies now produce conventional 110KV and 220KV cables.

ABB will bring its technology for cross-linked polyethylene (pex) cables to the venture, and hopes this will quickly force a general conversion of this segment of the market to the pex technology.

Siemens of Germany and Alcatel of France are already present in the Russian cables market through joint ventures.

ABB will also bring advanced technology for gas circuit breakers to a second joint venture, ABB Moselektro, that it has formed. ABB has a 51 per cent stake in this venture, with its partner, Moselektroshchit, taking the rest. These circuit breakers are used in transmission and distribution substations and are suitable for severe environments.

● ABB yesterday announced formation of a joint venture in Ukraine to make medium- and high-voltage distribution and transmission equipment for the Ukrainian market. It will have 51 per cent of ABB RZVA, with the rest held by Rovenskii Zavod Vysokovoltnoi Aparatury, a Ukrainian switchgear maker. The venture will be based in Rovno and will employ 1,200 people.

Chile gloomy on Nafta prospects

By Stephen Fidler, Latin America Editor

The chances of Chile joining the North American Free Trade Agreement soon are "not very bright", Mr José Miguel Insulza, the Chilean foreign minister, has admitted.

But he said an agreement on linking Chile to Mercosur, the customs union comprising Argentina, Brazil, Paraguay and Uruguay, could be reached in months and perhaps before the end of the year. Chile and Bolivia are seeking associate status in Mercosur, meaning they will not accede to the its common external tariff.

Chile has made it plain that it will not go ahead with negotiations over entry into Nafta without having first secured "fast track" authority from the US Congress.

Without fast track, Congress will be able to revise the agreement and, according to Mr Insulza, "you end up negotiating twice". If fast track were not agreed by the end of November, it would be likely to get tied up with the US election process. This meant that the issue could be reintroduced into Congress in 1997 at the earliest, he said.

Mr Insulza, speaking in London, said Chile might also have a so-called framework agreement negotiated with the European Union by March which could set the groundwork for free trade by the end of the decade. About 30 per cent of Chile's exports go to Europe. The EU is negotiating separately a similar accord with Mercosur, which may be signed next month.

He said he viewed the various agreements differently. Mercosur was a true economic integration project for Chile and would cover issues such as infrastructure and energy integration, as well as full liberalisation of trade. Nafta and the EU accords were economic and trade accords. Apec, the Asian-Pacific grouping, was a multilateral arrangement like the World Trade Organisation.

ICI plans $400m plant in China

By Tony Walker in Beijing and Jenny Luesby in London

Imperial Chemical Industries, the UK chemicals group, yesterday signalled its intention to build a $400m polyurethane plant in Shanghai to take advantage of the projected rapid growth of the Chinese market.

ICI's planned investment in Shanghai will be by far its largest commitment in China and reflects the growing importance of that market. The company expects sales of its various products in China to increase to $725m annually by the year 2000 from the present $220m.

ICI sales to China, Hong Kong and Taiwan are already approaching $1bn annually.

The company's representatives signed a letter of intent in Shanghai with Nippon Polyurethane Industry of Japan and the local Shanghai Tian Yuan Chemical Works for the new plant which will be one of the world's largest polyurethane facilities.

It is expected to be completed early next century.

China consumes about 6 per cent of the global output of polyurethane, in a market which is growing at 12-15 per cent a year. Most of this is imported, since there are only a few domestic manufacturers, operating on a very small scale. Polyurethane is used for insulation in refrigerators and in housing.

Mr Charles Miller Smith, ICI's chief executive, said the investment in the Shanghai plant is part of ICI's drive to strengthen its position in Asia where it expects to be generating a third of its global sales within 10 years. At present, the Asia market accounts for about 25 per cent.

ICI and its Japanese partner, in which the UK company is a 25 per cent shareholder, will hold 80 per cent of the joint venture, with the Shanghai Tian Yuan Chemical Works - China's oldest chloralkali company - accounting for the remaining 20 per cent.

Mr Miller Smith described ICI's sales projections in China as a "realistic expectation". He noted the company was already supplying 40 per cent of China's polyurethane needs. ICI also intended to be the leading foreign paint company in China with "a significantly larger business than now".

ICI recently invested $30m in a paint manufacturing facility in southern Guangdong Province, and is planning a number of other such plants by 1997.

ICI is also building a polyurethane systems blending factory in Shanghai at a cost of $9m to support its thrust into the China market. That facility is expected to begin production in mid-1996.

Mr Miller Smith said ICI had held back on large-scale investment in China until now, because the company was seeking first to establish a sound base to "cope with a much larger business".

ICI planned to invest "several hundreds of millions of dollars" in China over the next few years in possibly as many as half a dozen projects, several of which were at a stage of advanced negotiation.

However, Mr Miller Smith added a note of caution, saying that while there were many opportunities to be explored, "we have to grow profitably".

DuPont already has four manufacturing sites in the country, and another six have been announced, while Dow has five, with two more planned.

The German chemical companies have also been building up their Chinese operations rapidly. BASF only has one manufacturing site, but eight more are planned; Bayer has one with five more on the way, and Hoechst has two with six more announced.

On Wednesday, ICI signed signed a general co-operation agreement with the Ministry of Chemical Industry which was designed to facilitate arrangements for licensing, technology sale and transfer, as well as direct investment.

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FINANCIAL TIMES
COMPANIES & MARKETS
Friday November 3 1995

IN BRIEF

Dresdner Bank advances 14%

Dresdner Bank, Germany's second largest bank, reported a 13.6 per cent rise in operating profits to DM1.46bn ($1.05bn) for the nine months to the end of September. Page 16

Norske Skog surges and plans Bruck buy
Norske Skog, the Norwegian pulp and paper group, said it planned to buy Bruck, one of Austria's biggest paper producers, from KNP BT of the Netherlands in a deal worth more than NKr2bn ($320m). It reported a 10-fold increase in nine-month pre-tax profits to a record NKr1.48bn. Page 16

Montell's market dives in third quarter
Montell, the world's largest producer of polypropylene, reported a rapid decline in its market during the third quarter, cutting operating profits to $61m, down from $219m in the previous three months. Page 16

US truckmaker to bolster Mercedes' lead
Freightliner, the US truck maker owned by Mercedes-Benz, should become the main force consolidating the German group's position as the world's biggest truck producer over the next two years. Page 18

Financial groups begin move into Brazil
For many foreign financial institutions used to doing business with Brazil from London or New York, the time has come to open offices on the ground. Page 18

HK Telecom improves 14.8% in first half
Hongkong Telecom, which lost its telecoms monopoly for the colony in July, began the new era of competition with a 14.8 per cent rise in interim net profits to HK$4.8bn (US$621m) for the six months to September 30. Page 20

Steady growth lifts Telecom New Zealand
Telecom New Zealand, which is 50 per cent owned by the US phone companies Bell Atlantic and Ameritech, benefited from the steady expansion in cellular and traditional telephone services in the first half to increase earnings by 15.5 per cent to NZ$338m (US$221.5m). Page 20

Shell shares slip on oil price warning
Shares in Shell Transport and Trading fell 16½p to 729p after the company *predicted continuing* pressure on its main operating activities. Mr John Jennings, chairman, said crude oil prices could remain in the current range of $12-$18 a barrel for the benchmark Brent Blend for as long as 10 years. Page 22

Market concerned as Sainsbury stumbles
Market concerns that J. Sainsbury, for more than a decade the UK's biggest and most successful food retailer, might be losing its touch lay behind a fall in the group's share price after it reported disappointing results. The group's sales, margins and marketing have all contributed to the worries. Page 22

International companies page-change
For production reasons, stories and companies listed on Page 16 will appear instead on Page 17 in some copies of today's edition.

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Herlitz	261	+	10.5
Linotype	192	+	7
Preussag	401.5	+	7.5
Volkswagen	458	+	11.7
Falls			
Beiersdorf	949	-	21
Ind Werke	266	-	4.5
NEW YORK ($)			
Rises			
CSX Corp	85⅝	+	3½
Dayton Hudson	72½	+	3⅞
GAP Inc	41⅞	+	3¼
Premark Intl	49⅝	+	3⅝
Falls			
Albemarle	15⅞	-	1⅛
Amway Asia Pac	29¾	-	1⅛
LONDON (Pence)			
Rises			
Cluff Res	75	+	14½
Eidos	545	+	55
Tibbet	1045	+	110
Trafficmaster	250	+	20
Falls			
Body Shop	140	-	14
Kwik-Save	610	-	68
TORONTO (C$)			
Rises			
Camco	4.3	+	0.8
Tele-Metro B	15	+	¾
Falls			
GSW A	18	-	1¾
Lafarge	23¾	-	1⅝
Loewen	43½	-	7⅞
Phoenix Intl	10¼	-	¼

PARIS (FFr)			
Rises			
CGIP	974	+	49
Credit National	318	+	17
Navigation Mixt	739	+	38
Simco	419	+	24
Suez	191.9	+	7.3
Falls			
Fonc Lyonnaise	550	-	28
TOKYO (Yen)			
Rises			
Daikin	804	+	40
Ihara Chem	647	+	44
Iwatsu Elec	584	+	32
Mazda Motor	350	+	30
Nachi Fujikoshi	400	+	32
Takara Shuzo	957	+	82
HONG KONG (HK$)			
Rises			
Dah Hwa Intl	6.55	+	0.25
Giordano Intl	6.85	+	0.25
Ngai Hing Hong	4.325	+	0.2
Falls			
Chengdu Tel	1.48	-	0.17
Cosmopol Intl	3.15	-	0.25
Sui Chong	0.61	-	0.14
BANGKOK (Baht)			
Rises			
Krungthep	151	+	11
Science. E&E	14.5	+	1.0
Varopakorn	74	+	5.5
Falls			
Sikarin	19.5	-	6.0
Thai Ind Glass	72	-	5.5
United Flour	38.25	-	4.25

New York and Toronto prices at 12:30.

Kerkorian prompts Chrysler review

By Richard Waters in New York

Chrysler yesterday launched a thorough review of how it manages its relationship with its largest shareholders and how control over the company is exercised. It said the move had been prompted by questions raised in the past two weeks by Mr Kirk Kerkorian and other shareholders.

Among issues to be considered are "corporate governance procedures and board membership", Chrysler said after a board meeting yesterday. The review, to last three months, would decide whether "incremental changes would be in the long-term best interests of the company and all of its shareholders".

The unusual and sweeping examination of the company's boardroom practices marks Chrysler's first response to a request a week ago from an ally of Mr Kerkorian, its largest shareholder, for three board seats. Mr Jerome York, a former Chrysler finance director, also asked the company to relax its anti-takeover defences and to set up a committee to consider whether it was making the best use of its cash.

The review reflects comments made by other large shareholders during an intensive series of meetings called two weeks ago by Mr Robert Eaton, Chrysler's chairman, to drum up support against Mr Kerkorian. The Las Vegas-based investor, with about 14 per cent of the company's shares, tried unsuccessfully to mount a buy-out of Chrysler in April, and has more recently attempted to use his large holding to exert pressure on its board.

Referring to those meetings, Chrysler said yesterday "other people were asking similar questions, so we decided it was a good idea to look at [governance issues]".

Despite announcing a review, Chrysler gave little indication it would accede to any of Mr York's requests. Mr Eaton repeated recent warnings that this would not necessarily be in the interests of all the company's shareholders.

Also, he defended the 15 per cent trigger level on the company's poison pill defence, since it was "important in protecting shareholders against abusive takeover tactics, such as the acquisition of effective control of the company without paying a premium". Other large shareholders have generally been supportive of the Chrysler board in its tussle with Mr Kerkorian – though they have welcomed the concessions he has forced out of the company, including three dividend increases and two share buy-backs.

Mr John Neff, who managers Vanguard's Windsor fund, one of Chrysler's biggest shareholders, said of the Kerkorian pressure: "I thought it was positive for a while – it did focus them on shareholder value."

Mr Neff said he had not asked Chrysler to review its corporate governance arrangements, and said the Kerkorian pressure had gone far enough.

The PC looms over consumer electronics groups as they struggle with low-cost competitors

Learning to run faster in order to stand still

All it takes is a glance at the recent share price performance of Sony, Philips and Matsushita to realise that all is not well in the consumer electronics industry.

Philips' shares fell last week when the Dutch group announced a steep decline in consumer electronics profits, shortly after Japan's Matsushita disclosed a substantial fall in audio-visual sales. Sony's share price has faltered on fears that it will report a net loss in next week's second-quarter results.

Optimists argue that the industry will recover when the next hot new product – the digital video disc (DVD) systems which combine the functions of audio CDs, video cassettes and computer discs – arrives next autumn. Pessimists suspect that the difficulties mark the start of a long-term decline when personal computers will steadily replace conventional electronics products.

"Consumer electronics has had decades of growth as a leading edge industry," says Mr Edward Hadas, electronics analyst at NatWest Securities in London. "These companies have got to focus on the fact that growth will be much slower in the future and they're now a lagging industry behind PCs."

The PC phenomenon could scarcely have been worse timed for the leading electronics groups, which include France's Thomson, Japan's Hitachi and Sharp.

Low-cost competitors from South Korea, Taiwan and China have locked them out of the emerging Asian economies. They have imposed intense pressure on prices in North America, Japan and Europe at a time when VCRs and CD players, the products that fuelled the industry's growth in the 1980s, have hit maturity.

Japanese and European manufacturers have cut costs to improve competitiveness. Philips and Thomson have also, somewhat belatedly, increased investment in design to try to achieve the premium status of Sony. But competitive pressures are so intense that the large groups have, according to one Sony executive, had "to run faster just to stand still".

The situation has worsened this autumn. Demand has weakened in the three key markets of the US, Germany and Japan fuelling fears that several groups are carrying high stocks.

There are occasional pockets of growth in conventional consumer electronics.

Widescreen televisions with cinema-scale screens have become so popular in Japan since their launch in 1992 that about 3m widescreens sets will be sold there this year, according to the Electrical Industry Association. However, sales of PAL-Plus televisions, the European equivalent of widescreen, have been more modest.

The only product that seems capable of revitalising the electronics market is DVD. But its launch has been haunted by industry rows over technical specifications. The threat of a DVD format war was averted this summer when Sony and Philips agreed to thrash out a common format with their rivals, but the talks are dragging on. Unless they are concluded within the next few weeks, DVD's launch may have to be delayed from next autumn.

Sceptics suspect that DVD may not fulfil the industry's sales expectations. One worry is that it will not be tempting enough for consumers. The new discs offer a similar improvement in the visual quality of films, compared with video cassette, as audio-CD did against tapes and vinyl. But the first DVD systems will not have a recording facility, one of VCR's main selling points.

However, the chief concern is that no new electronics products will have the same impact on sales as colour TVs or audio-CDs, because they no longer hold the same allure for consumers compared with innovations in related sectors such as PCs and mobile phones.

These products are challenging the share of consumer expenditure commanded by electronics. Competition is likely to intensify with developments in the new generation of multimedia PCs, which are used for entertainment and information purposes. As the audio-visual quality of these PCs improves, they will increasingly be used for watching TV and playing music, eventually replacing the TV set as the main electronic product in the home.

There are opportunities for consumer electronics companies to diversify into the multimedia PC market. Mr Yoshiharu Izumi, electronics analyst at UBS Securities in Tokyo, believes that the company which invents the industry standard for enhancing the television and video functions of PCs will "gain a huge advantage over its rivals".

Japanese groups have been diversifying into new areas such as this for some time. Sharp has had great success with its liquid crystal display technology. Sony is one of the world's largest manufacturers of CD-Rom drives. Matsushita managed to compensate for the decline in audio-visual sales in the first half, with a healthy increase from electronic components.

The electronics groups are expanding into computing and telecommunications.

They have had some success with mobile phones and Sony's first foray into video games has been a triumph. It has sold over 1m of its PlayStation systems since its launch in Japan last Christmas and has virtually sold out in the US and UK.

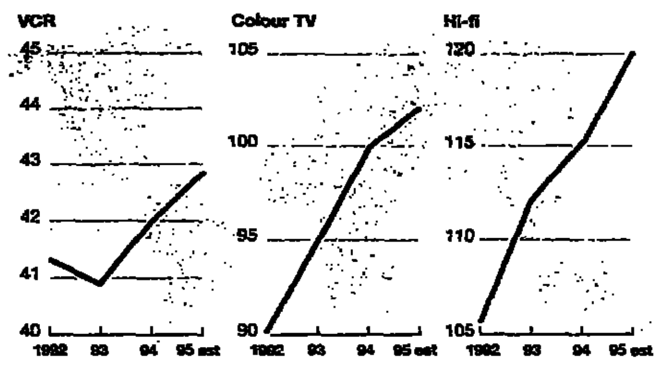
But the consumer electronics companies did not move quickly or aggressively enough into telecommunications and computing, as Finland's Nokia did with mobile phones. The thrust of their early 1990s expansion was entertainment. Sony has since incurred heavy losses on its film interests. Matsushita sold control of MCA, its entertainment group, last winter.

The electronics groups now have to make up for lost time in the fast-growing telecommunications and computing markets. "They've got a lot of catching up to do," said Mr Hadas. "But we're not looking at terminal cases. On a chronological scale these guys are 40, not 80. There's still life in them."

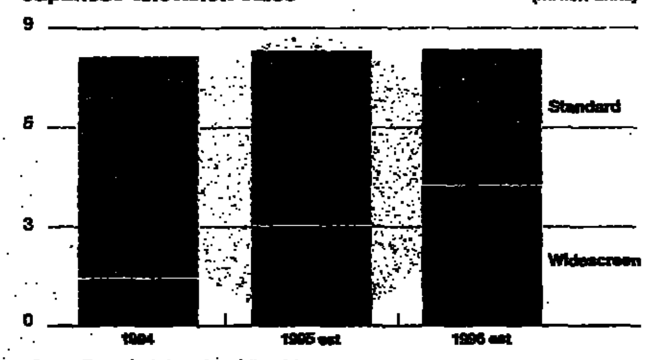
Alice Rawsthorn

Fuzzy picture

Global consumer electronics sales *(million units)*



Japanese television sales *(million units)*



Source: Electronics Industry Association of Japan

Nissan sees return to full-year profit

By Michiyo Nakamoto in Tokyo

Nissan, Japan's second largest automotive group, yesterday said it expected to post a full-year profit for the first time in two years. The parent company should post the first sales increase in four years and return to the black.

Although overseas sales have been sluggish because of the high yen, domestic sales and profits have been lifted by a revamped product range. This has helped it win market share at the expense of other automotive groups, notably Toyota. Amid intense competition, Nissan added 0.8 points to its market share over the period to 21.7 per cent, while Toyota slipped below the crucial 40 per cent mark it has long maintained.

During the first half, Nissan posted an operating profit for the first time in four consecutive six-month periods. At the recurring level (unconsolidated pre-tax), the company made a loss of Y8.8bn ($85.4m).

However, this was considerably lower than the Y57.8bn loss in the previous first half and much lower than expected. Nissan's shares rose 5.3 per cent to Y736 in a rising market.

Nissan's sales increased 9 per cent from Y1,569bn to Y1,712bn. Buoyant demand for its remodelled luxury saloons, the Cedric and Gloria, proved particularly profitable since the margins on these cars are significantly higher than lower-range saloons. A 22 per cent rise in domestic sales value exceeded the 20 per cent rise in unit sales.

Cost-cutting measures contributed significantly to Nissan's better performance. In the first half, the company shaved Y100bn off costs and expects to reduce them another Y30bn in the second half.

Overseas, Nissan did well in the US, where unit sales rose 2.5 per cent in a sluggish market. However, Mexico continued to be a problem area. Europe was more difficult for Nissan which suffered from the high yen. Sales in 17 European countries dropped 3 per cent in the nine months to September.

For the full year, Nissan expects to increase group sales by 4 per cent to Y3,540bn from Y3,408bn. It forecasts recurring profits of Y25bn compared with a Y61bn loss and break-even at the net level. The company said this was a conservative forecast and that it was likely to make a net profit as well.

Lex, Page 14

Third high-level resignation from Apple as Eilers leaves

By Louise Kehoe in San Francisco

Apple Computer's number two executive, Mr Dan Eilers, who had been responsible for lifting the personal computer company's share of the world market and overcoming forecasting and supply problems, has resigned unexpectedly.

Mr Eilers, 40, had been with Apple for about 13 years. Earlier this year he was appointed senior vice-president of worldwide marketing. His new role was, however, essentially that of a chief operating officer with broad responsibilities for strategic and operational issues, reporting directly to Mr Michael Spindler, Apple chief executive.

His departure marks the third high-level resignation at Apple this year. Just a month ago, Mr Joseph Graziano, Apple's chief financial officer, announced his resignation. Earlier this year, Mr Ian Diery, executive vice-president, was forced out of the company.

Apple explained that Mr Eilers' position had been eliminated as a result of a reorganisation of marketing responsibilities that will give the company's regional operations in the Americas, Europe and Asia greater independence.

According to the company, responsibility for sales and marketing strategy will be placed within the three geographic business units, taking over from Mr Eilers' worldwide marketing organisation.

It was unclear, however, how the marketing reorganisation will help Apple overcome problems in forecasting demand for its products which have created a chronic shortage of components. The shortage has left Apple unable to meet demand for its Macintosh computers over the past six months.

Industry analysts were surprised that Mr Eilers was not offered a new position at Apple.

There was some speculation that Mr Eilers may have been forced to resign if he sided with Mr Graziano in a proposal to seek a buyer for Apple. That proposal was rejected by Mr Spindler and the board of directors last month.

Senior Apple executives were not available for comment. In a statement issued yesterday, Mr Spindler said that the latest reorganisation is a refinement of Apple's "market segmentation" strategy under which the company is aggressively pursuing sales in segments of the the consumer, education and commercial markets where Apple is strongest.

BP sells refinery for $235m

By Robert Corzine

British Petroleum began the restructuring of its worldwide refining operations with the sale yesterday of its Marcus Hook refinery in the US to Tosco, the US refining group, for $235m (£149m).

BP is to take a charge of $385m in its third-quarter results, due on Tuesday, to cover book value losses and potential environmental liabilities at the refinery, located near Philadelphia.

Mr Rolf Stomberg, chief executive of BP Oil, the group's downstream division, said: "This is the initial step in a programme to reposition BP's international refinery network and to make it globally competitive."

Chronic overcapacity in the international refining industry has eroded margins. Refiners in the US have complained that margins have fallen to the lowest level in 20 years.

The $235m sale price for Marcus Hook includes £75m for the refinery, nine product terminals and pipelines in five north-eastern states. Tosco is paying an additional $160m for stocks of crude oil and refined products.

About 500 service stations will continue to sell BP-branded petrol in the region. Tosco has agreed to help develop the BP brand for 15 years.

The sale, which should be completed by the end of the year, will reduce BP's worldwide refining capacity by about 10 per cent. It has triggered speculation that the company will announce further changes to its refinery network in the US and Europe.

The company's Alliance refinery at Belle Chasse in Louisiana is said to be among its best in the group. But there has been speculation about the future of the refinery at Lima, Ohio, one of two such facilities that BP operates in the state.

Mr John Browne, the chief executive of the group, is known to be sceptical about the viability of refineries that are not among the best performers in the industry.

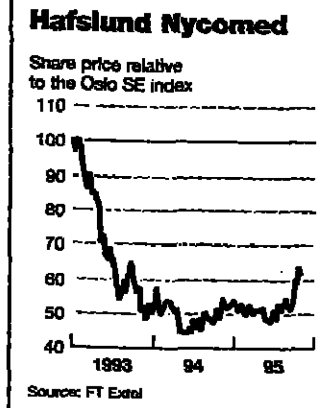
Senior BP executives believe that unlike petrochemicals, there is little proprietary technology that can be brought to bear to give refineries a competitive edge.

Shell results, Page 22

INTERNATIONAL COMPANIES AND FINANCE

EUROPEAN NEWS DIGEST

Imaging division boosts Hafslund



Hafslund Nycomed, the Norwegian pharmaceutical group which plans to merge with Ivax of the US, yesterday reported a 58 per cent increase in pre-tax profits in the first nine months of the year on the back of strong sales growth for its flagship diagnostic imaging products. Pre-tax profits rose from NKr1.01bn in the same period last year to NKr1.59bn ($255m). Group sales jumped from NKr5.3bn to NKr7.2bn, largely driven by sales in Nycomed's imaging division, which surged from NKr1.9bn to NKr3.8bn. The sales growth reflected higher sales of contrast agents – injected agents used to improve x-ray images – through the company's own marketing network, and the acquisition last year of the diagnostic imaging business of US-based Sterling Winthrop.

Hafslund said growing competition from rival producers and the increase in purchasers' muscle as a result of mergers by customers had led to narrower margins for imaging products. But it said this had been offset by strong sales growth at Nycomed. The imaging division's operating profits rose from NKr1.15bn to NKr1.78bn. Operating profits in the pharma division slipped, however, from NKr467m to NKr435m as sales fell from NKr2.48bn to NKr2.4bn.

The results follow the announcement last month that Miami-based Ivax and Hafslund plan to merge, creating a group called Ivax-Nycomed with market capitalisation of $6.5bn and combined 1995 turnover of more than $2.5bn. It would be the world's leading producer of unpatented generic drugs. Hafslund's energy division, which lifted operating profits from NKr177m to NKr210m, is excluded from the merger and will be spun off to Hafslund shareholders.

The merger comes at a time of considerable public debate in Norway over foreign ownership in Norwegian companies. The Ivax-Nycomed deal has been raised in parliament, but so far reaction has been muted, reflecting the perception that the merger is a marriage of equals, not a takeover. Hafslund shares rose sharply after the merger announcement, but have since reverted to levels around those prior to the deal.

Hugh Carnegy, Stockholm

Trelleborg jumps to SKr3.17bn

Trelleborg, the Swedish mining and metals group, said profits rose almost six-fold to SKr3.17bn ($479m) in the first nine months. The increase was driven by higher metal prices and a SKr3bn capital gain from the sale of the group's 28 per cent stake in Canada's Falconbridge mining concern. The results would have been even higher if the company had not unexpectedly made two one-off charges totalling SKr1.1bn. One charge covered the early redemption of property leases; the other a write-down of mining assets to reflect its view of lower long-term metal prices.

Excluding one-off items, profits rose from SKr272m to SKr1.20bn, reflecting a strong rise in copper, zinc and lead prices, and lower financial costs. Underlying sales rose 17 per cent to SKr15.6bn. Mr Kjell Nilsson, managing director, said the group expected demand to remain strong in the final quarter. But he said copper prices had weakened and expressed concern about the possible impact on demand of reduced German construction activity.

Christopher Brown-Humes, Stockholm

Solid gains at Uni Storebrand

Uni Storebrand, Norway's leading insurer, said its recovery continued in the third quarter, with nine-month profits rising almost six-fold from NKr223m to NKr1.28bn ($205m). Operating profits rose from NKr1.45bn to NKr3.17bn. Non-life profits climbed from NKr431m to NKr1.06bn, mainly because of a NKr531m rise in investment income. The group's loss ratio improved, despite a NKr147m charge to cover claims from June floods in the south-east of the country, and premiums rose 7 per cent to NKr5.37bn.

In life insurance, operating profits increased from NKr1.45bn to NKr2.29bn even though premiums fell 10 per cent to NKr3.88bn because of a fall-off in single life annuities. Net investment income was NKr733m higher than a year ago.

Mr Aage Korsvold, chief executive, said the third quarter – when group profits rose from SKr187m to SKr500m – was particularly pleasing. However, he warned the group's fourth-quarter figures were traditionally weaker.

Christopher Brown-Humes

Endesa buys 7% Airtel stake

Endesa, the state-controlled electricity utility, said it had bought 7 per cent of mobile phone operator Airtel from Fuerzas Electricas de Cataluna. The group said it had paid Pta4.2bn ($34.3m) for the stake. Endesa's subsidiary Endesar, which specialises in diversification operations, later plans to sell 1.8 per cent of Airtel to other companies which are part of, or associated with, the Endesa group. *AFX News, Madrid*

■ **Au Bon Marché**, the French retailer, posted net profits of FFr225m ($45.8m) in the first half, compared with a net loss of FFr28m a year earlier. Net profit on ordinary activities fell from FFr290m to FFr261m. *AFX News, Paris.*

■ **Fokus Bank**, the Norwegian bank privatised last month after four years in a government rescue scheme, reported nine-month operating profit after loan loss provisions of NKr415.8m ($66.6m) against FFr244m a year earlier. This included extraordinary costs of NKr16.9m in connection with privatisation. *AFX News, Oslo*

Sharp fall at Montell after weak demand

By Jenny Luesby

Montell, the world's largest producer of polypropylene, yesterday reported a rapid decline in its market in the third quarter, cutting operating profits from $219m in the previous three months to $61m.

The company, launched in April as a joint venture between Montedison of Italy and Royal Dutch/Shell, said the third quarter was traditionally the industry's weakest.

Shares in Montedison fell L23 to L1,071 yesterday.

Montell's customers had bought less than usual this summer as they ran down stocks built up earlier in the year as a hedge against rising petrochemical prices. Petrochemical prices have been falling since May. Polypropylene demand had also been hit by a temporary halt in imports to China.

Together, these factors had triggered a decline in volumes and prices that had been "more pronounced than expected", said Mr Peter Vogtlander, chief executive. Montell has a market share of about 18 per cent of global sales in polypropylene.

Its third-quarter sales of $903m, down 17 per cent on the $1.09bn recorded in the second quarter, were nonetheless up 25 per cent on the pro forma quarterly average for 1994.

This was despite reductions in its US output, caused by the planned shutdown of a plant at Lake Charles in order to expand its capacity, and an unplanned closure at its Bayport site.

However, in Europe, the group had been forced to cut its output "significantly", said Mr Vogtlander, "to be more in line with demand".

This had brought home the need for further restructuring in the industry and a cautious approach to expansion, he said.

However, he believed the decline was only temporary.

"I remain positive about the prospects for next year as demand and inventories return to normal levels," Mr Vogtlander said. This ties in with forecasts made by other petrochemical producers, and analysts, of improved demand next year.

Hopes that there would be some recovery in the petrochemicals market in the fourth quarter have now faded.

Dresdner Bank advances 13.6% at operating level

By Wolfgang Münchau in Frankfurt

Dresdner Bank, Germany's second largest bank, yesterday reported a 13.6 per cent rise in operating profits to DM1.46bn ($1bn) for the nine-months to end-September.

The strong percentage increase of the results, which was in line market forecasts and which followed a decline in the first six months, largely reflected weakness in the same period of 1994. The year-earlier figures were affected by the downturn in bond markets.

However, the third quarter showed a strong increase, with operating profits almost doubling from the same period in 1994.

The interest surplus fell 4.4 per cent in the nine-month period to DM4.65bn, hit by a fall in interest rate margins by 0.19 percentage point to 1.48 per cent. The results from Dresdner, whose chairman is Wolfgang Röller, were lifted by lower risk provisions, which fell 45 per cent to DM487m. The bank also benefited from strong results from its financial operations. These made more than DM500m, helped by higher profits from bonds trading and significantly lower write-downs.

German banking analysts were generally unenthusiastic about the results, which fell into the middle range of forecasts. Ms Annette Müller, at DG Bank, said "the figures are by and large as expected, although one could not detect a significant rise in income". She said the fall in the interest surplus was seen as a negative factor. Analysts also said it was unclear how the acquisition of Kleinwort Benson, the UK merchant bank, would affect the year-end results.

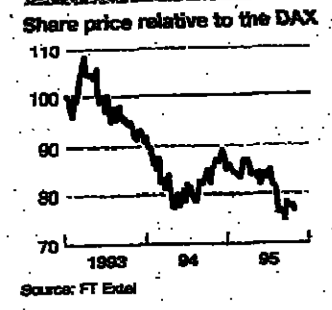
The bank made a mixed assessment of the near-term outlook for the German economy. In contrast to some economic forecasts, it predicted a rebound in the economy next year after an estimated rise in gross national product of 2.5 per cent in 1995.

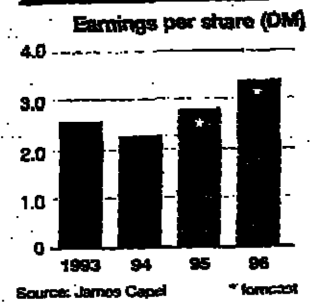
However, Dresdner Bank also issued a warning about continued weakness in labour markets, adding that current "economic growth is insufficient to create new employment".

Dresdner's results were the latest in a series of mildly disappointing banking figures. The nine-month earnings reports by Deutsche Bank, Commerzbank and Bayerische Vereinsbank suggest that profit margins in the German banking sector remain under intense pressure, a trend confirmed yesterday by Dresdner.

COMPANY PROFILE: **DRESDNER BANK**

Market cap	$11.8 bn
Main listing	Frankfurt
Historic P/E	17.1
Gross yield	3.6%
Earnings per share	2.3 (1994)
Current share price	37.78





The increases in nine-month figures were in almost all cases attributable to lower loan loss provisions and increased financial profits.

At Deutsche Bank, which reported last week, operating profits were up 2.6 per cent at DM3.23bn.

Lex, Page 14

Norske Skog plans European buy as profits surge

By Christopher Brown-Humes in Stockholm

Norske Skog, the Norwegian pulp and paper group, yesterday said it planned to buy Bruck, one of Austria's biggest paper producers, from KNP BT of the Netherlands in a deal worth more than NKr2bn ($320m). The move came as it reported a ten-fold increase in nine-month pre-tax profits to a record NKr1.48bn.

The deal marks Norske Skog's debut in the European coated magazine paper market and will strengthen its newsprint business. It is the group's first international acquisition.

Mr Peder Lovenskiold, finance director, said Norske Skog could produce 1.9m tonnes of newsprint and uncoated paper a year, but had lacked a presence in the lightweight coated (LWC) magazine segment.

"We wanted a third leg in publication papers and felt LWC had very positive growth prospects," he said, adding the group would seek to expand its LWC capacity further.

Norske Skog will initially pay NKr300m for Bruck and assume NKr1.8bn of debt. Up to NKr222m more will be payable if Bruck's profits exceed targets over the next three years.

Bruck is the only Austrian producer of LWC and one of two newsprint producers. It can produce 220,000 tonnes of LWC a year and 115,000 tonnes of newsprint. In the last five years, about NKr2.5bn has been spent upgrading the plant, expanding its product range and improving quality.

Norske Skog's stronger nine-month figures reflect a sharp recovery in pulp and paper prices, particularly since mid-1994. The upturn drove operating revenues up from NKr6.5bn to NKr9.1bn and increased operating profits from NKr467m to NKr1.58bn.

The company said all business areas improved, excluding sawn goods. Operating profits at the paper unit rose from NKr343m to NKr1.04bn, and the fibre division raised profits from NKr70m to NKr503m.

Norske Skog expects the market for newsprint and magazine paper to remain firm, with high utilisation rates, partly because of limited new capacity. It also expects a strong pulp market in 1996, seeing current resistance to higher prices as the temporary effect of inventory cut-backs.

The market reacted positively to the announcements, marking the group's A shares up NKr6 to close at NKr183.5.

Outside Norway, Norske Skog has a newsprint plant at Golbey in France – a greenfield site development rather than an acquisition. The group spent NKr713m on the plant in the first nine months.

Fletcher Challenge extends its reach, Page 20

Akzo shares tumble 4% on flat third-quarter result

By Ronald van de Krol in Amsterdam

Akzo Nobel, the Dutch chemicals group, turned in virtually flat net profit of Fl 324m ($204m) for the third quarter, reflecting lower operating results at its two biggest businesses in terms of sales, chemicals and coatings.

The results were well below most analysts' forecasts of between Fl 360m and Fl 380m, sending the company's shares down 4 per cent to Fl 172.80 on the Amsterdam stock exchange.

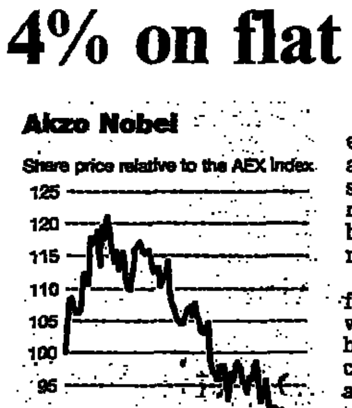
Akzo blamed the static performance on the guilder's strength, the rise in raw material prices, and costs incurred by the closure of its largest US salt mine.

The quarterly figure, barely changed from Fl 322m a year earlier, lifted nine-month results before extraordinary items by 11 per cent to Fl 1.07bn.

The company repeated forecasts of higher full-year results before extraordinaries. Mr Syb Bergsma, finance director, described 1995 as a year of moderate growth and one of adjustment to higher raw material prices for Akzo Nobel.

Turnover in the third quarter fell 3.6 per cent to Fl 5.2bn. The decline was the combined result of currency movements, divestments, and a 2 per cent contraction in volumes.

Nine-month sales dropped from Fl 16.8bn to Fl 16.2bn, but Mr Bergsma said "it should be noted that, compared to last year, the negative translation effect [of currencies] on sales for the January-September period was almost Fl 1bn".



The dollar's decline was felt even in businesses where operating profits rose, Mr Bergsma said. "Pharmaceuticals is our most internationally-spread business and therefore suffers most from translation effects."

The sector also continues to feel the effects of efforts by western governments to rein in health care spending and medicine prices. Nevertheless, operating profit rose from Fl 171m to Fl 188m.

Akzo Nobel said it was too early to say whether its sales of contraceptive pills in the UK had suffered from a controversial government warning in October against certain types of pills, including those made by the Dutch group.

The company generates some Fl 60m in turnover from UK contraceptive sales.

In chemicals, most businesses units put in better performances, particularly the pulp and paper chemicals business.

However, earnings were hit in part by the extra staff and overtime payments needed to speed production at the Retsof salt mine in New York state ahead of its shut-down.

The mine was closed in autumn because it was gradually filling with water. Overall, operating results in chemicals slipped from Fl 163m to Fl 145m in the quarter.

Coatings continued to feel the effects of tight margins caused by fierce competition, especially in the UK. The sector's results fell from Fl 169m to Fl 146m.

Referees force Eurotunnel to play by the old rules

The operator's failure to improve its deal with SNCF and British Rail was a big blow, says Andrew Jack

Eurotunnel, operator of the cross-Channel rail link, may not have lost the war to avoid a huge financial restructuring, but international arbitrators may have imposed on it an extremely damaging tactical defeat.

The group had pursued British Rail and SNCF, its French counterpart, on a series of grounds. It argued that the circumstances in which it had to operate had changed substantially since the contract between them was signed in 1987, and it should have the right to renegotiate the terms.

Failing this, it wanted either to be able to increase tariffs levied on the railways per passenger carried through the tunnel by 55 per cent, to raise at least an additional FFr3bn ($610m) a year over an initial period of operation of the tunnel. The alternative was a one-off payment of FFr20bn in compensation.

Rather than risk long court battles over any disputes, it agreed in the original contract to take any dispute to arbitration, and to use French law as the basis for a decision – even though the group operates on both sides of the Channel.

After the decision was taken in July 1993 to seek redress, three arbitrators were selected jointly by the disputing parties, and their work was overseen by officials at the International Chamber of Commerce, in accordance with normal practice. In the middle of October the arbitrators reached their conclusions, which were then scrutinised by the Chamber's International Court of Arbitration before publication on October 31.

Eurotunnel had argued that as a "public service concession" established by the two national governments, its objections should be judged under French administrative law. Instead, the arbitrators ruled that the contract should be considered under the corpus of private law – and then found against the company on most grounds.

The arbitrators allowed Eurotunnel some glimmers of hope by ruling that it had limited rights to claim compensation against the railway companies.

The first was against British Rail, for delays in the provision of infrastructure, notably the failure to construct a high-speed rail link which could cut 30 minutes off the three-hour journey between London and Paris. They ruled there should be compensation, but only for the first year for which the tunnel was open.

The second relates to delays in meeting the original contractual requirements – of a full Eurostar service of 15 trains a day through the tunnel from the time of starting, which itself was delayed for more than a year. The railway companies said they had long acknowledged they might be held accountable on this issue.

The arbitrators will now nominate a panel of experts to quantify the extent of these damages, with a report of its conclusions expected after six months.

Meanwhile, Eurotunnel is pressing ahead with other parts of its restructuring, including – in the next few weeks – a likely referral to the International Chamber of Commerce of its disputes with the tunnel's building contractors.

It is also talking to its bankers, and to the French and UK governments, as part of its efforts to introduce what Mr Patrick Ponsolle, the joint chairman, calls a "pain-sharing scheme", an outline of which should be ready in January.

It predicts revenues should be boosted by recent price cuts on Eurostar, the passenger rail service operated by the railway companies. The cuts appear to be boosting passenger volumes through the tunnel and hence Eurotunnel's commission. Its hope is that these tariffs will be sustained, and not simply run as a promotion for a few months.

But as the board prepares for its November 10 meeting to consider the 220-page ruling, the mood is not optimistic.

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US truck range set to stretch Mercedes-Benz lead

By John Griffiths and Haig Simonian

Freightliner, the US truck-maker owned by Mercedes-Benz of Germany, should be the main force for consolidation of the group's position as the world's biggest truck producer in the next two years.

Freightliner, which was bought by Mercedes-Benz in 1981, is pinning its hopes for sharply higher sales on a new range of heavy vehicles due to go on sale in January.

Unveiled to dealers in Chicago last week, the new Classic Class demonstrates the growing technological links between Mercedes-Benz and its US subsidiary.

The new range, aimed at securing undisputed leadership in North America's heavy truck sector, boasts such innovations as cabs made of aluminium and plastic composites.

Freightliner hopes the new range will be decisive in increasing its market penetration in 1996, despite the expected contraction of the North American heavy truck sector.

Mr James Hebe, president and chief executive, said Freightliner expected to build 77,300 trucks this year – about one-third of Mercedes-Benz's global sales of trucks over 8.8 tonnes. A rise to 85,000 units is expected in 1996.

At the time of its $260m acquisition by Mercedes-Benz, Freightliner was producing about 16,000 units. The increase has allowed Freightliner to overtake Navistar as market leader in the US Class 8 heavy truck sector this year, with a market share of 26 per cent. That should rise to 32 per cent by 2000, according to Mr Bernd Gottschalk, Mercedes-Benz board member responsible for commercial vehicles.

The boom in Freightliner's output reflects acquisitions and heavy investments in recent years, along with growing collaboration with Mercedes-Benz's truck operations in Germany and South America.

The US company has spent $360m over the past four years to expand plants and facilities and modernise systems. It plans to invest a further $350m between 1996 and 1998.

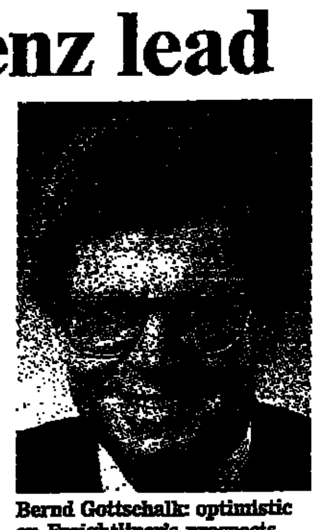
The takeovers have allowed the company to broaden its range to cover most of the North American medium-to-heavy truck sector. In June, Freightliner took over the chassis operations of truck and bus maker Oshkosh, which is now using Freightliner's distribution network for sales and service of its specialist heavy duty trucks. The acquisition of American LaFrance, the oldest US maker of fire engines, has given Freightliner access to yet another market sector.

The increasing engineering co-operation with Mercedes-Benz has been seen in the steady encroachment of sophisticated electronics in Freightliner models, culminating in the new Classic Class, which has up to 11 computers on board.

Mercedes-Benz engineers have also produced big improvements in Freightliner's active and passive safety systems, as well as in electronics and engine management technology.

Co-operation in powerplants will reach a new level in the Classic Class, which will be available with a new high-efficiency diesel engine developed jointly by Mercedes-Benz and Detroit Diesel (DDC), the US engine maker in which the German company has a 20 per cent stake. In a new step for the industry, warranties on the new vehicles will extend to 350,000 miles, compared with the traditional industry norm of 100,000.

The new engine, which is based on an existing Mercedes-Benz design, will enter production by DDC in February. After an initial period during which it will be available exclusively to Freightliner customers, the powerplant will be made available to other truckmakers in the North American Free Trade Area. Separately, Mercedes-Benz will manufacture the engine at its Brazilian truck subsidiary for sale outside Nafta.



Bernd Gottschalk: optimistic on Freightliner's prospects

Taking advantage of new openings in Brazil

Foreign institutions are setting up local offices as the pace of business hots up, reports Jonathan Wheatley

The old hostility to foreign capital is gone and economic stability, although far from assured, looks as though it is here to stay. For many foreign financial institutions used to doing business with Brazil from London or New York, the time has come to open offices there.

"There's so much business, they have to be here," says Mr Maurizio Mauro of consultancy firm Booz, Allen & Hamilton in São Paulo.

Mr Mauro points to two big growth areas: international issues of stocks and debt by Brazilian companies, made possible by the increasing globalisation of financial markets and returning confidence in Brazil's economy; and "a huge volume of mergers and acquisitions" as Brazilian companies restructure in the face of an opening economy and adjust to the loss of easy financial earnings following the drop in monthly inflation from 50 per cent in June 1994 to less than 2 per cent today.

Another attraction is the government's privatisation programme. Although its pace has been slow, next year may see the sale of mining giant Companhia Vale do Rio Doce. Other big sales in the telecommunications and electricity industries are set to follow.

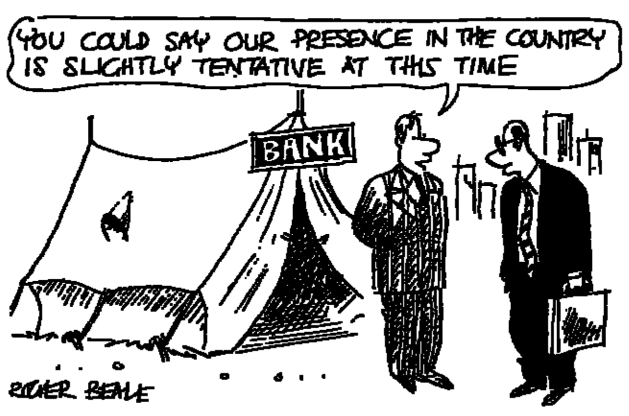
Deregulation of the insurance business will also end one of the world's last remaining reinsurance monopolies and open large areas of a market worth an estimated $12bn a year to free competition.

Recent arrivals in banking and securities include Bear Stearns, Kleinwort Benson, Lehman Brothers, Oppenheimer, Robert Fleming and Goldman Sachs.

Mr Eduardo Gentil, who arrived in August to head Goldman Sachs' new office in São Paulo, says the bank will concentrate on big equity offerings with institutional investor interest in the US and Europe, as well as looking for involvement in large privatisations and mergers and acquisitions. It will also pursue its own investment interests in the country: earlier this year it paid $70m for a 20 per cent stake in Arisco, a food group.

For Brazilian customers, the new arrivals offer local access to international investors and potential partners. For overseas investors, they offer a line to local market knowledge and opportunities that, even after a short period in the country, is hard to match from London or New York.

Often, both for Brazilian and overseas clients, quality and breadth of contacts will be more important than skills, although Brazilian investment banks, which score heavily in local contacts, are comparatively young in product development.



The amount of business foreign institutions can do in Brazil depends on international confidence. A number of local stock issues, for example, were postponed after the Mexico crisis; if underlying confidence continues to build, the number of issues should increase.

Mr Nicholas Hurd, Robert Fleming's representative in São Paulo, says foreign investment in privatisation and infrastructure concessions may also be constrained by a lack of clear information on future tariffs and regulatory structures.

For the time being, the new arrivals will operate as representative offices only. Foreign-owned institutions cannot offer banking or underwriting services in Brazil under laws introduced in 1988, although they can provide consultancy.

Some banks and brokerages have been in the country long enough to predate the restriction, however, and a recent presidential decree opened the door to more foreign ownership in the future. The decree allowed the Hong Kong and Shanghai Banking Corporation to take a 6.14 per cent stake in Banco Bamerindus, Brazil's third-largest private commercial bank.

While banks and brokerages may see business grow only slowly, insurance companies are looking forward to significant change in the next 18 months. The crucial event will be the dismantling of the reinsurance monopoly held by the Brazilian Institute of Reinsurance (IRB). All reinsurance in Brazil passes automatically to the IRB and all property contracts up to $240m are automatically guaranteed IRB coverage.

Mr Peter Davis, president of the Brazilian operation of US brokerage Johnson & Higgins, says the IRB monopoly precludes competition among insurers. "There's a tremendous difference between Brazil and other markets because insurance companies here all operate on the basis of the security provided by the IRB," he says. With the end of the IRB monopoly, insurers will be able to shop for better reinsurance rates on the international market.

The IRB is already preparing itself for the end of its monopoly and to begin operating in competition with other reinsurers. Its staff of 1,200 is being cut by half in a voluntary redundancy programme. Mr Paulo Pereira, the IRB's director of international operations, says the process should be completed within 18 months. He reckons the total volume of reinsurance premiums will grow from $800m to at least $1.5bn in the short term.

Expansion in other areas of the insurance market could take longer. The government is working on reform of the pensions and social security system, a politically sensitive process that is making slow progress.

There is also a degree of resistance among Brazil's population to health and life assurance, which have many similarities with long-term savings plans. Part of the problem is the absence of a tradition of long-term savings, due to a history of currency instability; another problem is a lack of fiscal incentives for these kinds of policies.

But retail insurance plans, particularly motor insurance, have shown strong growth since the start of the government's economic stabilisation programme in July 1994. Mr Davis says confidence in the currency and the end of the IRB monopoly will lead to new growth; he says the health insurance market alone should grow by $7bn to reach $16bn by the end of the decade.

AMERICAS NEWS DIGEST

United HealthCare ahead in third term

Shares in United HealthCare, the largest health management company in the US, gained $2½ or 4.6 per cent to $56⅞ in early trading yesterday after the company reported it had enrolled 142,600 members in the third quarter.

Not including recent acquisitions, enrolment was up 19 per cent in the quarter, led by 18 per cent growth in members with private healthcare, the largest segment of United HealthCare's business.

Earnings for the third quarter were up 16 per cent to $93.7m, or 53 cents a share, from $80.8m, or 46 cents, in the same period last year. Earnings growth was restrained by increases in medical and sales costs.

The percentage of premium revenues paid as medical costs rose to 79.3 per cent, against 78.7 per cent last year and 78.6 per cent in the second quarter of this year, due to increased expenses associated with treatment of poor patients in Florida, Rhode Island and Chicago.

Sales and administrative costs increased to 14.3 per cent of revenues, up from 13.9 per cent last year, but modestly lower than the 14.6 per cent recorded in the second quarter of this year. Company officials said they believed such costs had stabilised and would be flat to moderately lower in the future.

Shares in most healthcare companies, known as health maintenance organisations or HMOs, have been battered through much of this year amid increasing competition and uncertainty about government healthcare policy. But last week several companies got a boost after US Healthcare reported results that were modestly above expectations.

Lisa Bransten, New York

Amdahl looks set to win DMR

Amdahl, the California-based computer manufacturer, looks set to win a two-month fight for DMR, the Canadian information technology group.

Several institutional shareholders of DMR, including New York investment bankers, Oppenheimer, have agreed to Amdahl's amended C$12.50 a share offer. The original offer was for C$8.2551. The new price surpasses IBM Canada's offer of C$11 a share and is three times the market price of DMR before the fight for control began. A third bidder, BDM International, of the US, dropped out of the race on Monday.

If Amdahl gets all DMR's shares, it will have paid almost C$200m (US$148.55m). DMR shares rose to almost C$12.50 on Wednesday. Amdahl would pay the higher price to DMR's principal shareholders, who originally signed a lock-up agreement at C$8.25 a share.

IBM Canada's bid remains on the table and the company promised a statement before the November 6 expiry date.

Robert Gibbens, Montreal

Dofasco ahead of expectations

Dofasco, one of Canada's two biggest steel makers, surprised analysts with third-quarter net profit of C$51.9m (US$38.55m), or 52 cents a share, against C$53.8m, or 56 cents, a year earlier, which included a C$18.8m special gain. Revenues were C$663m, up 10 per cent from C$602m. The latest quarter included Dofasco's C$11m share of losses from its new joint venture US mill, now in the start-up phase,

Dofasco said the third quarter began slowly but shipments built up rapidly. Slack in North American demand for sheet products was offset by higher exports offshore. Total shipments were 791,000 tonnes against 759,000 tonnes. Conditions should be less volatile in 1996, Dofasco added.

Nine months earnings were C$144.1m, or C$1.45 a share, against C$157.5m, or C$1.66, on sales of C$1.96bn, up 11 per cent from C$1.77bn.

Robert Gibbens

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ASIA-PACIFIC NEWS DIGEST

Bull to take 51% of IPC French arm

Zenith Data Systems, the personal computer subsidiary of France's Groupe Bull, is to take a 51 per cent stake in the French division of IPC, the Singaporean computer group. The state-owned French group, undergoing a restructuring and a staggered privatisation process, will take its stake at the end of a capital increase process at IPC France worth an estimated FFr150m ($30.5m).

Bull and IPC already have close ties, cemented earlier this year when the Singaporean company took a 3.27 per cent stake in the French computer manufacturer. The investment was part of a partial privatisation which saw Motorola of the US and NEC of Japan take holdings of 17 per cent. Bull and IPC said their agreement concerning IPC France would enable the expansion of ZDS' activities in France and the rest of Europe. The distribution of the companies' products would not be affected.

According to Bull, IPC France had sales of FFr454m last year. After the capital increase, IPC Corp will hold 19 per cent of IPC France, while the balance of the shares will be held by Champel Investment. *John Ridding in Paris*

Leighton Holdings optimistic

Leighton Holdings, the Australian construction group, expects volume and profit for the year to June 30 1996, to rise by between 10 per cent and 15 per cent. Leighton said in August that it expected a further increase in revenue and profit in 1995-96 after reporting a 57.4 per cent increase in operating profit of A$80.2m (US$61m) in 1994-95 on sales of A$1.95bn.

Mr Wal King, managing director, said: "For the first time, we see a positive outlook in each of our key markets – engineering and infrastructure construction, non-residential building and contract mining." Leighton expected a slowdown in Australian construction but there were numerous opportunities open to the group. Australian operations were expected to generate most of the growth, although Asia remained a significant contributor. *Reuter, Sydney*

Furukawa Electric profits slide

Furukawa Electric, one of Japan's top electric wire and cable companies, saw its unconsolidated pre-tax, or recurring, profit, fall sharply in the first half ended September 30. Pre-tax profit dropped from Y3.33bn last time to Y221m ($2.15bn) while sales rose to Y255.64bn, compared with Y244.26bn last time. The company said its earnings were hit by lower selling prices and falling sales of electric and telecommunications cables.

However, it did not revise its forecasts for sales and earnings. It continues to predict pre-tax profits of Y3.5bn, down 47 per cent from the previous fiscal year. Amid stagnant economic conditions, Furukawa Electric said it had made efforts to expand orders and cut costs. Sales in its electric wire and cable division had edged up 1.3 per cent to Y135.65bn – accounting for 53 per cent of total sales. Sales of cables used for electric power facilities and telecommunications industries remained depressed and the construction and automotive industries were weak. But steady export growth and rising prices for ingots helped push up sales. *AP-DJ, Tokyo*

Mount Edon ends takeover talks

Speculation about a takeover bid for Mount Edon ended yesterday when the Western Australian goldminer said it had formally ended discussions with Battle Mountain Gold, the US mining group, with no agreement reached. The statement followed speculation that Battle Mountain was poised to make an all-paper offer for Mount Edon, valuing the Australian company at about A$400m (US$304m). *Nikki Tait, Sydney*

First-half warning by Pacific Dunlop

By Nikki Tait in Sydney

Pacific Dunlop, the Melbourne-based conglomerate, warned yesterday that first-half profits in the current financial year were likely to be below those for the first six months of 1994-95.

The current half-year had been affected by "significant losses experienced by Telectronics", its troubled pacemaker business.

In the half-year to December 1994, the company made A$151m (US$114.8m), before abnormals.

US-based Telectronics has been hit by problems with pacemaker leads which have led to legal actions, a medical monitoring programme, and operations to extract the leads in some instances.

At yesterday's annual meeting, Mr John Gough, chairman, said the company faced 201 lawsuits in the US, plus two in Canada and two in France. The Canadian litigation includes a class action, covering 1,112 patients, and moves were still under way to have all but two of the US suits consolidated.

He said the subsidiary and Pacific Dunlop itself were "vigorously resisting all lawsuits" but added that it was not yet possible "to provide an estimate of the amount of the liability if, indeed, any exists to Telectronics".

As part of a "consent decree" with the US Food and Drug Administration, the company has suspended making products for distribution in the US, although it can still export from there.

This had had a serious impact on sales in the US market – Telectronics' most important profit centre – although facilities were "in final stages of preparedness for re-inspection by the FDA".

Mr Gough said the Telectronics losses would be offset by abnormal gains from asset sales. "For the full 1995-96 year, we anticipate earnings per share will be higher."

He noted that group first-half earnings would be better than those of the second half of the last financial year.

HK Telecom ahead 14.8% at six months

By Louise Lucas in Hong Kong

Hongkong Telecom, the colony's former monopoly telecoms provider, ushered in the new era of competition with a 14.8 per cent rise in interim net profits, from HK$4.2bn to HK$4.8bn (US$621m) for the six months to September 30. The figure was towards the higher end of market expectations.

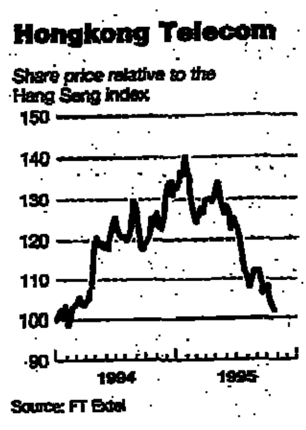
Hongkong Telecom, in which Cable & Wireless has a majority stake, lost its monopoly on domestic calls in July and now competes with New T&T, New World Communications and Hutchison.

It retains its franchise on international calls, although here too its market share is being eroded by a plethora of recently launched call-back services.

Mr Linus Cheung, chief executive, attributed the profit expansion to growth in key business areas, such as mobile communications – another sector ripe for greater competition, with the award of up to six new licences pending – and leased lines, data and other value added services.

But traffic with China, which accounts for about half of all international calls, grew just 8 per cent, compared with 21 per cent in the same period last year. Mr Cheung blamed the slowdown in part on the mainland's move to a five-day working week, as well as high tariffs and continued credit tightening measures.

Total turnover, most of



which comes from international traffic, came to HK$14.56bn in the six months to September 30, up 9.6 per cent from last year.

While more users signed up for mobile phones and business-type services, international traffic revenue increased just 1.2 per cent to HK$8.3bn. The small increase reflected the slower China growth, lower tariffs and a change in the transit traffic arrangements with China.

First-half earnings per share rose 14.9 per cent, from 37.6 cents to 43.2 cents. The dividend has also been increased by 14.9 per cent, from 26.9 cents to 30.9 cents.

Mr Cheung said "encouraging progress" was being made on the company's pioneering China venture, to upgrade and co-manage a cellular telephone network in Beijing, although he was unable to elaborate. The deal, clinched more than a year ago, is believed by some analysts to have encountered obstacles.

Hongkong Telecom announced agreement for a US$300m investment to build networks in China in October 1994 – the first opening of China's telecoms market to foreign companies.

Construction of a 3,000km fibre-optic cable system to connect Beijing with Hong Kong, the second deal sealed by Hongkong Telecom, Cable & Wireless and the Chinese authorities, will begin soon, Mr Cheung said.

Hongkong Telecom is bidding for two new mobile licences, one of which was to have been issued last August but has been postponed by further deliberations by China.

Telecom New Zealand thrives on home competition

By Terry Hall in Wellington

Telecom New Zealand, which is 50 per cent owned by the US phone companies Bell Atlantic and Ameritech, benefited from the steady expansion in cellular and traditional telephone services in the first half to increase earnings by 15.5 per cent to NZ$338m (US$221.5m).

Mr Roderick Deane, chief executive, said the company's businesses were growing aggressively despite reports of a pronounced slowdown in the New Zealand economy.

He added that the company was also thriving on intensified competition in the New Zealand market, where it was competing with six large international phone companies. it. "The more they throw at us, the better our results seem to be," he said.

Operating revenues for the half year to September 30 were up 13.3 per cent to NZ$1.5bn because of accelerating growth in cellular connections, which rose by 74 per cent in the year to September.

Telecom also benefited from rising demand for new value-added services and higher call volumes.

International call volumes rose 19 per cent helped by price reductions of 15 per cent in the half-year. This led to a 3.7 per cent gain in revenue.

Local call income rose 5.5 per cent to NZ$21.3m, spurred by marketing drives. The company continued to expand rapidly in Australia. Its Pacific Star subsidiary recently bought the Adelaide-based Lanes Telecommunications, an important provider of services in Canberra, Perth and Brisbane. Sales of enhanced network services, which included strong growth in services provided by Pacific Star, were up 54.1 per cent to NZ$71.8m.

Mr Deane announced plans to launch information, entertainment and transaction services for both residential and business customers.

Telecom is to start paying quarterly dividends – the first New Zealand company to do so. The first interim dividends – to be paid later this month – total 17 cents a share, up from 13.5 cents for the same period of last year.

Mr Deane said the company would continue to distribute at least 70 per cent of earnings each year as dividends.

Fletcher Challenge extends its global reach

NZ pulp and paper group is expanding fast in Asia. reports **Deborah Hargreaves**

The newsprint market, where prices have almost doubled in the past year, has not reached its peak yet, according to Mr Hugh Fletcher, chief executive of Fletcher Challenge, the New Zealand pulp, paper and forest products group.

Mr Fletcher was speaking shortly after raising the company's newsprint price to $815 a tonne. But in an effort to soothe his customers, he has offered for the first time to hold prices firm for a year.

"We could push through more increases on newsprint, but I don't think you can be indifferent to the impact on your customers and longer term demand," Mr Fletcher said. After the latest increase comes into effect in February, Fletcher Challenge will hold prices steady for the rest of 1996.

North American and some European newspapers have responded to escalating raw materials costs by cutting print runs, but demand remains firm.

Newspaper publishers are moving towards the use of lighter-weight and higher quality paper. Fletcher Challenge has just invested C$40m (US$30m) in converting one of its Canadian newsprint machines to light-weight paper production as well as increasing its capacity.

"Higher quality paper should enable newspapers to offer a more exciting product to advertisers," he said. This trend could differentiate suppliers in what has always been a pure commodity market, and is likely to exert growing pressure on smaller producers which find it difficult to expand into better paper grades.

Fletcher Challenge is aiming to take advantage of the move towards globalisation in the paper industry, where supply has always been extremely fragmented, by building on its strong position in New Zealand and Australia to expand into Asian markets.

Mr Fletcher said he was considering building two plants in south-east China: one as a joint venture with local partners to produce newsprint from local pulp, and one with an Indonesian partner to make wood-free paper from imported pulp.

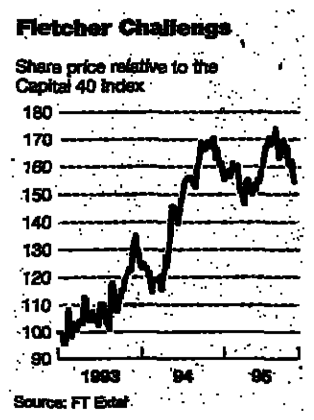
"Once regional markets grow to the size where demand can support a reasonably-sized machine, we would look at producing newsprint," he said. On this basis, the company has taken a 20 per cent stake in a US$300m project to build a newsprint plant in Malaysia, where the market is growing at a rate of 8 per cent a year.

Fletcher Challenge is also looking for investment opportunities in India and wants to expand its plants in Chile and Brazil. It has recently opened a UK plant using recycled office waste.

The company's operating cash flow has almost tripled to NZ$1.4bn (US$918m) in the past three years. It is highly geared towards commodity prices – for every US$50 a tonne rise in newsprint prices, earnings increase by NZ$133m – and recently signalled that it could expect record profits for its current financial year.

"We have considerable cash flow to spend on extending the geographical reach of the three businesses [pulp and paper, forest products and energy]," Mr Fletcher said.

The company is spending US$700m over four years to upgrade capacity in New Zealand and Australia where it



Hugh Fletcher: promises to peg print prices for one year

supplies 100 per cent and 90 per cent of the markets respectively.

It is shipping a machine from its Canadian operations to Australia, where its 50-50 joint venture with Rupert Murdoch's News Corporation will convert it to produce high-quality coated paper. The company then hopes to replace imported papers in the market.

"Our emphasis will be on trying to improve margin rather than on gross expansion. We will also be looking to expand in supply-deficit areas where a source of supply will boost demand rather than add to overall capacity," Mr Fletcher said.

In this way, the company says it will not contribute to capacity increases which caused the severe downturn at the end of the last production cycle.

Demand for newsprint is still growing in North America by 0.4 per cent a year and no new capacity has been announced. Similarly, demand in south America is increasing by 4.8 per cent a year, but no new projects are in the pipeline.

In the absence of large new planned capacity, Mr Fletcher expects the current boom for newsprint and paper producers to last for at least another couple of years.

"But eventually the business will be cyclical. We hope to go into the downturn this time with a stronger balance sheet which will make it less severe for our shareholders than the last trough," he said.

He is sanguine that the industry has learned its lessons from over-subscribing to new capacity which plunged it into such a deep recession two years ago.

Nickel and copper aid Sumitomo Metal surge

Sumitomo Metal Mining, Japan's leading producer of gold, showed a seven-fold increase in unconsolidated pre-tax, or recurring, profit to Y2.85bn ($27.7m) in the first half, AP-DJ reports from Tokyo.

The company's strong performance was largely the result of strong international prices for copper and nickel.

Sales for the six months to September 30 advanced to Y198.74bn, against Y182.43bn last time, an increase of 9 per cent.

Sumitomo Metal said that despite uncertainty about domestic demand trends and currency exchange rate movements, the company had raised its forecasts for earnings in the year to March 31 1996 on the grounds that it would benefit from cost-cutting efforts.

It also expected to continue to benefit from a healthy sales environment, amid strong nickel and copper prices. It has lifted its pre-tax profit estimate for the full year from Y5bn to Y7bn.

The company said it expected sales of semiconductor packaging equipment to continue rising and increasing its share of the company's overall business.

By sector, sales of copper rose 24 per cent from Y23.33bn in the corresponding period last year to Y29.01bn.

Sales of gold, however, fell 2 per cent, from Y95.69bn last year to Y93.78bn, while sales of silver slipped 1.6 per cent from Y1.88bn to Y1.85bn.

Sales of nickel rose 36 per cent to Y17.48bn, against Y13.85bn last year, while sales of zinc were flat at Y5.82bn.

Sales of electronic materials were sharply higher, at Y19.79bn from Y16.2bn the prior year.

In Tokyo Sumitomo Metal Mining shares closed Y32 higher at Y828.

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COMPANY NEWS: UK

Shell Transport sees continuing pressure

By Robert Corzine

Shares in Shell Transport and Trading fell 16¼p to 729p yesterday after the company predicted continuing pressure on its main operating activities.

The uncertain business environment was highlighted by Mr John Jennings, chairman, who told a London conference that crude oil prices could remain in the current range of $12-$18 a barrel for the benchmark Brent Blend for 10 years.

The company's cautious views about crude oil prices, refining margins and petrochemical demand overshadowed solid third-quarter results published yesterday.

Third-quarter profits calculated on a replacement cost of supplies basis were up 31 per cent to £1.1bn ($1.7m). There were special charges of £85m.

The strong third quarter performance was attributed to improved trading conditions for chemicals and better refining margins.

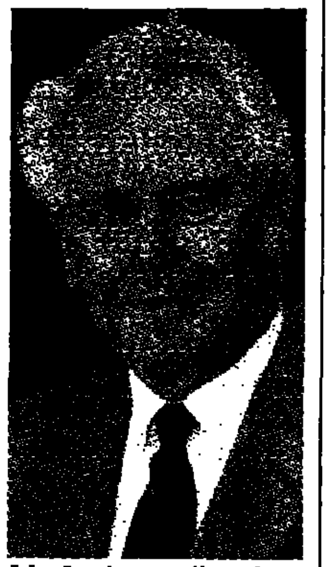
Worldwide chemical earnings for the quarter were £317m, against £158m last time. Petrochemical volumes rose in Europe, while margins improved in the US as a result of continuing strong demand.

But the company was cautious about future demand. "The current weakening of prices and demand is expected to last into 1996," it said. Shell described the downturn as "an interruption in growth, rather than a cyclical downturn".

The company was also cautious about the outlook for refining margins. Overall earnings from refining, marketing and marine sales were up 18 per cent to £577m.

Worldwide oil product sales were up 4 per cent, but refining margins remained under pressure in spite of some improvements in Europe and North America. The company warned that margins in the high-growth Asian-Pacific market could be undercut in coming months because large new refineries were opening in the region.

In his speech yesterday Mr Jennings said there were more fundamental problems facing the refining industry. The international oil industry "has still to come fully to terms with all the implications of sustained overcapacity" in refining capacity worldwide, he said.



John Jennings: cautious about future crude oil prices

Shell's upstream earnings held steady as volume increases offset a fall in oil prices. Third-quarter profits from exploration and production were down only 2 per cent at £344m in spite of lower oil prices.

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US buy boosts F Cooper shares

By Paul Cheeseright, Midlands Correspondent

Frederick Cooper, the West Midlands metal coatings, architectural hardware and electrical products group, is expanding in the US with the $5.96m acquisition of Bonny Products, the kitchen utensils maker. It also announced reduced profits for the year to July 31. After exceptional items of £2.25m, caused by the disposal of two architectural hardware distributors, the pre-tax figure was £3.98m ($6.28m), against £6.31m.

The shares rose 5p to 59p.

Mr Ed Kirk, chairman, said the acquisition of Bonny, which had an extensive US network, would enhance earnings immediately by about 0.5p a share.

The deal marks another step by Cooper to reduce its dependence on the UK market. At the same time it will change the balance of the group by reducing the dominance in the turnover of the architectural hardware division.

Boots defends resale price maintenance as profits dip

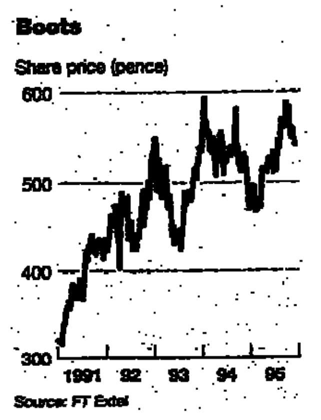
By Neil Buckley

Boots, the retailing and healthcare products group, launched a vigorous defence of resale price maintenance on non-prescription medicines yesterday, as it reported interim profits at the bottom end of expectations.

The shares fell 11p to 540p as Boots announced pre-tax profits for the half year to September 30 down from £289.7m to £227.9m ($360m). This year's figure reflected the sale to BASF of Boots Pharmaceuticals, which contributed profits of £48.5m last year, but also poor performances in Do It All, the DIY chain, and higher investment in some businesses.

Operating profits from continuing operations, before exceptional items, increased 4 per cent to £196.2m, from group turnover up 6.1 per cent at £1.93bn.

Boots' shares have come under pressure since the Office of Fair Trading announced it was reviewing resale price maintenance – the right of manufacturers to set prices – on non-prescription medicines, and Asda, the supermarket chain, cut prices on vitamins and minerals.



Lord Blyth, chief executive, said Boots had responded with promotions on own-label vitamins, although it still supported price maintenance on manufacturers' brands.

He warned that competition between stores groups if price maintenance were abolished would lead to a "drastic" reductions in the UK's 9,000 small pharmacies.

"That would represent a major challenge to governments of any persuasion seeking to push responsibility for healthcare closer to the patient as NHS costs continue to grow," he said.

Lord Blyth did not believe the OFT would recommend abolition. But if it did, Boots was well placed to defend its position.

Lord Blyth's comments did little to dispel market fears of intensifying supermarket price wars after disappointing results from J. Sainsbury on Wednesday.

Shares fell again across the grocery sector as Kwik Save, Britain's biggest discount grocer, announced a 7 per cent profits fall.

Lex, Page 14

Norweb takeover bypasses MMC

By David Wighton

Mr Ian Lang, trade and industry secretary, yesterday overruled the new director general of fair trading, Mr John Bridgeman, and cleared North West Water's £1.8bn bid for Norweb, the Manchester-based electricity distributor.

Mr Bridgeman had recommended that the proposed acquisition be referred to the Monopolies and Mergers Commission. But Mr Lang chose to side with the electricity and water regulators, which advised that a reference was not necessary on either regulatory or competition grounds.

The takeover will create the UK's first mixed utility which Mr Bridgeman said raised concerns about regulation, "barriers to entry, and managerial efficiency".

Mr Lang said he had given particularly careful thought to the case "not least because I do not lightly reject the advice of the director general of fair trading". But regulatory issues could be dealt with by appropriate amendments to the merged group's licences. North West Water has already agreed to changes. Nor did he accept concerns about managerial efficiency as a reason to refer the merger.

Mr Ian Byatt, the water regulator, said the licence amendments would give him proper access to the information on the efficiencies and cost savings arising from the merger. North West Water had already agreed that the savings from combining some of the companies' operations, which are expected to lead to large job losses, would be passed on to customers in the form of lower bills starting from 2000.

They also strengthen the financial "ring fencing" of the regulated water business from the group.

It is the first time Mr Lang has overruled advice from the Office of Fair Trading since taking over from Mr Michael Heseltine in July. Mr Heseltine ignored the recommendations of the previous director general, Sir Bryan Carsberg, on three occasions. When Sir Bryan left in May he made clear his frustration at what he described as the government's lack of enthusiasm for pursuing competition policy.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Azlan	6 mths to Sep 30	72.7	(37.7)	4.45	(1.06)	13.6	(3.7)	1.2	Jan 31	1	-	4.1
Bellway	Yr to July 31	267.1	(201.3)	34	(28)	21.4	(17.3)	5.25	Jan 22	4.8	7.7	7
Boots	6 mths to Sep 30	1,940	(2,042)	227.9♥	(289.7)	15.9	(20.2)	5.7	Feb 2	5.35	-	17
Celsis Int'l	6 mths to Sep 30	1.72	(0.302)	2.99L	(2.23L)	4.11L	(3.7L)	-	-	-	-	-
Cheam	6 mths to Sep 30	9.04	(8.6)	3.46	(2.79)	31.1	(25.1)	6.5	Jan 3	5.6	-	18.2
Cooper (Frederick)	Yr to July 31	87.9	(89.1)	3.98♠	(6.31♥)	3	(8.2)	1.9	Feb 1	1.7	2.7	2.5
East Surrey	6 mths to Sep 30	14.5	(13.1)	4.24	(3.42)	26.5	(21.9)	6.2	Jan 3	5	-	15.7
Essex Furniture §	Yr to June 30	25.8	(17.7)	1.04	(1.41)	5.96	(8.05)	2.2	Jan 3	2.5	4.3	4.3
Gerrard & Nat Hdgs	6 mths to Sep 30	51.2 □	(47 □)	12.1	(11.1)	15.6	(14.4)	8	Dec 15	8	-	22.5
Intereurope Tech	Yr to June 30	6.51	(8.77)	0.401	(0.405)	5.17	(3.94)	5.8	Dec 15	5.8	7.8	7.8
Kwik Save	Yr to Aug 26	3,228	(3,020)	125.5	(135.6)	51.68	(57.29)	14.05	Jan 11	13.5	20	19.25
Lofs $	6 mths to Sep 30	20.6	(16.4)	2.24	(3.76)	3	(5)	0.25♦	Jan 18	0.25	-	1.5
Shell	9 mths to Sep 30	70,502	(62,389)	3,704※	(2,376)	39.8‡	(26.8)	-	-	-	-	27.1
Smart (J)	Yr to July 31	17.6	(17.2)	3.44♥	(1.65)	23.14	(10.02)	6.6	Dec 18	6.2	9	8.5
W'minster Scaffold	6 mths to June 30	1.55	(2.47)	0.617L	(0.945L)	0.1L	(0.2L)	-	-	-	-	nil
Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
German Smaller	6 mths to Sep 30	124.6	(114.9‡)	0.382	(0.303)	1.04	(0.84‡)	-	-	-	-	1.5
Undervalued Assets	6 mths to Sep 30	116.83	(96.39)	0.952	(0.466)	1.54	(0.87)	-	-	-	-	1.75

Dividends shown net. Earnings shown basic. Figures in brackets are for corresponding period. †On increased capital. §USM stock. □Operating income. ♠After exceptional charge. ♥After exceptional credit. ♦Second interim, making 0.5 cents to date. $US currency. ‡Restated for share subdivision. ※Net income. ‡EPS and dividend for Shell Transport.

PUBLIC NOTICES

T&N forms N American joint venture

T&N, the automotive components and engineering group, and Sumitomo Electric Industries of Japan, have formed a joint venture to make disc brake pads for the North American market.

The new company, Safa, will be 60 per cent owned by SEI with T&N's Ferodo press cure unit holding the remainder.

Production is scheduled to begin at a greenfield site in La Grange, Georgia, late next year.

Bass Czech purchase

Bass, the brewing group, has continued its push into the Czech beer market by increasing its stake in Prazske Pivovary (Prague Breweries) from 39.7 per cent to 44 per cent. Terms were not disclosed.

Bass bought its additional stake from the Creditanstalt investment fund.

Bass has also increased its stake in Vratislavice, a north Bohemian brewery, from 55 per cent to 78 per cent. It acquired its original stake last month, when it also bought into Ostravar, a north Moravian brewery, in which it now owns 51 per cent.

Cluff shares rise on news of approach

By Kenneth Gooding, Mining Correspondent

Shares in Cluff Resources, a UK-based company with gold mining operations in Africa, rose by 24 per cent yesterday, from 60½p to 75p, after it revealed it had received an approach. At this level the company, founded and headed by Mr Algy Cluff, is valued at about £55m.

Ms Eileen Carr, finance director, said discussions, after an unsolicited approach, were at a very early stage. There was unlikely to be another announcement for several weeks. In the meantime the board was consulting its financial adviser, Samuel Montagu.

Echo Bay Mines, the US gold producer, is among the companies likely to be interested in Cluff having acquired a 4.8 per cent shareholding for £2.2m in May.

The outcome of any bid for Cluff will depend on Hutchison Whampoa, the Hong Kong-based conglomerate which has a stake of nearly 28 per cent.

Azlan makes Dutch buy and seeks £20m

Rationalisation in the UK coupled with a strong performance in mainland Europe has enabled Azlan Group, a computer networking products distributor, to increase revenues and pre-tax profits substantially in the first half of the year, writes Alan Cane.

Azlan also announced it was raising a net £20.4m ($32m), through a 2-for-9 offer to shareholders at 440p, and that it had acquired Ronin, a Dutch network computing distributor, for £6.95m.

The shares rose 21p to a new high of 479p.

Pre-tax profits quadrupled from £1.08m to £4.45m, while turnover rose 93 per cent to £72.7m (£37.7m). Earnings per share were 13.6p (3.7p) for an interim dividend of 1.2p (1p).

Shopping list to regain lost touch

Sainsbury's sales and margins cause concern, reports Neil Buckley

Is J. Sainsbury, for more than a decade the UK's biggest and most successful food retailer, losing its touch? The market, which knocked 21p off its share price to 403p after disappointing results yesterday, fears it might be.

"Sainsbury's were definitely rattled," said one analyst. "It was a rather unconvincing performance." Two specific issues provoked yesterday's reaction, and have caused the City's sentiment towards Sainsbury to cool this year. One was Sainsbury's poor sales performance compared with its biggest rival, Tesco.

In September, Tesco announced a 19.5 per cent first-half sales increase. Of that, 9.5 percentage points came from new stores, with the rest from existing stores – 4 percentage points of which was inflation and 6 points came from a volume increase.

Sainsbury, by contrast, lifted total sales only 6.2 per cent, with 3.9 points of that coming from the two new stores it opened. Existing stores contributed 2.3 percentage points, but that was after 4.5 per cent inflation – meaning volumes fell 2.2 per cent.

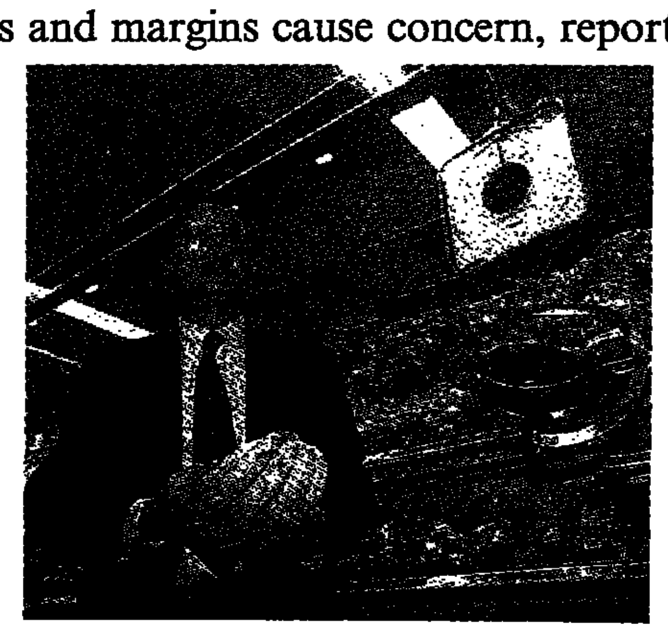
The second factor was Sainsbury's pessimistic statement on the outlook for gross profit margins. Ms Rosemary Thorne, finance director, warned that intense price competition, combined with inflationary pressure in the supply chain, could squeeze the gross margin by up to 0.5 percentage points in the second half.

But those issues reflect broader concerns about the group.

One is that it has lost its marketing edge. All its main rivals have adopted aggressive marketing strategies this year, and as Mr David Sainsbury, chairman, conceded yesterday, have got more bang for their buck.

"I don't think we have communicated the initiatives we have taken as well as we would have liked, and that is an area where we clearly intend to improve our performance," he said.

Tesco has roared ahead – overtaking Sainsbury's share of packaged grocery sales in the UK – thanks to its Clubcard national loyalty scheme which has 6m members, and aggressive promotion of pricing and customer service.



Colin Beere

Weighing his options: David Sainsbury seeking better marketing

Argyll's Safeway has also launched a national loyalty card and a service initiative backed by its "Lightening the Load" advertising campaign. Asda has skilfully hit the headlines with discounting on books and non-prescription medicines.

Sainsbury, by contrast, has made several gaffes.

First, Mr Sainsbury dismissed rival Tesco's loyalty card, Clubcard, as a marketing gimmick and "electronic Green Shield stamps", but was later forced to extend Sainsbury's own loyalty card to 60 per cent of its stores.

Then, after launching its own £20m customer service and communication initiative – somewhat behind its rivals – Sainsbury was embarrassingly forced to withdraw its first television advertisement. Customers complained it was not fulfilling its pledge to provide "checkouts that open on cue if there's more than one shopper in front of you".

Recently, it hesitated before following Asda's price cuts on vitamins, but was forced almost immediately to raise prices – before reaping the publicity Asda had gained – when the manufacturers won an injunction.

Customer research commissioned by analysts at NatWest Securities suggested Sainsbury's "brand franchise" was being eroded. Shoppers now felt Tesco, not Sainsbury, offered the best "value for money". Meanwhile, research by Crédit Lyonnais, another securities house, concluded Asda and Tesco were winning the customer service battle.

There are further concerns in the City about Sainsbury's management structure. Analysts are keen to know who will succeed Mr Tom Vyner, the powerful deputy chairman, when he reaches 60 in early 1997. Sainsbury refused to comment yesterday.

Analysts also question whether the decision-making structure, with 12 executive directors and 44 departmental directors, is too cumbersome.

Sainsbury insists the City's concerns are overplayed. It says the benefits of its customer service initiative are still working through, and its advertisements have achieved a high level of recognition among the public – something confirmed by NatWest Securities' research.

It also says that like-for-like sales growth (which excludes new stores) has always played a small part in its overall growth, as Sainsbury's new stores achieve higher sales densities more quickly than its rivals. Average like-for-like volume growth over the past decade has run at only 0.5 per cent a year.

Moreover, new store openings will increase from 10 this year to 15 next year, with up to three likely to open in Northern Ireland.

Sainsbury also announced last week its marketing director, Mr Ivor Hunt, was taking early retirement next year and would be replaced by Mr Kevin McCarten, currently trading director of Kingfisher's Woolworths chain but with wide previous experience of consumer goods marketing with Procter & Gamble. Analysts believe further management shuffles could be on the way.

Sainsbury also points to growth prospects outside its UK supermarket chain. Texas, the DIY chain acquired from Ladbroke, is stemming its sales decline and reaching break-even point. If Sainsbury can successfully integrate it into its existing Homebase chain, scope for future profits growth could be substantial. Homebase increased operating profits 23 per cent this time to £18.9m, on sales of £235.4m.

In the US, the performance of the Shaw's supermarket chain is improving, with profits up 15 per cent at $41.9m (£26.5m) on sales of $1.16bn.

Despite the profits slowdown – and analysts were yesterday downgrading full-year forecasts from £860m to about £825m-£830m – most analysts believe Sainsbury can recover its momentum, although some soul-searching may be necessary.

Many point out that in 1993, Tesco was thought the most vulnerable of the "big three" grocers, with the weakest own label, and a young customer base susceptible to temptation from cut-price discounters such as Aldi and Netto. After two years of imaginative and aggressive marketing, such fears are behind it. And four years ago, Mr Archie Norman's Asda was close to collapse. Things can change quickly in food retailing.

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JOBS: New management practices are changing traditional employee attitudes in the workplace

Loyalty bonus should not be devalued

How important is loyalty in today's workplace? There are several reasons for addressing this question, not least that attitudes towards loyalty *among managements* and employees appear to be changing as a result of workforce reductions and *new working practices*.

There is a moral question. Should an employer have a duty towards the well-being of an employee, particularly if in doing so there is a risk to the prosperity of the business? Milton Friedman, the prominent US economist, has said that economic performance is the *only* responsibility of business, and Peter Drucker, the management writer, while not going so far as Friedman, argues that it is at least the *first* responsibility.

This suggests that it is important to examine the business case for loyalty. Is the mutual loyalty of employer and employee good for business, and what happens when loyalty is lost?

Among most employees, at least, loyalty *still* seems to be valued. More than three-quarters of the 1,000 UK employees questioned in a survey carried out by Templeton College, Oxford, on behalf of the Institute of Personnel and Development, said that they *remained* loyal to their employer, although many admitted their trust in the management had been dented. Nearly *half* of those surveyed said they regarded their *current job as a* long-term position.

So, however much people should, as Charles Handy, *the employment* writer, says, prepare for "portfolio" careers – where their job comprises a package of *freelance* work for *different* customers – the truth is that many are not doing so, nor do they want to.

Once established, loyalty seems to be one of those qualities that persists beyond *rational* thought. Charles Heckscher, who holds the chair of Labour Studies and Employment *Relations at* Rutgers University in the US, was surprised to find, in a series of interviews covering 250 middle *managers* across US industry, that some managers remained loyal to their companies after quite brutal redundancy programmes. He describes their loyalty as an emotional attachment, a love of the company.

In White Collar Blues*, a study of management loyalties, he found that this commitment to the company was far more common than loyalty to an individual leader, and it sometimes transcended managerial aims. In some companies, employees had developed methods *of doing their jobs* the way they thought best, sometimes contradictory to the wishes of management.

Most of the managers Heckscher interviewed thought loyalty was a good thing, equating it with trust, caring *and respect. They contrasted* it with what they viewed was a cold, unfeeling approach in the *modern use of temporary employees*. Not all agreed with this, however. Some equated loyalty with *blinkered, unthinking obedience* and the complacency that can arise among comfortable employees. One *manager* went *so far as to say*: "If you want loyalty go get a dog."

This last point has some resonance in Heckscher's thinking when, in conclusion, he dismisses the need for this old-style loyalty, arguing *that* companies can bind their employees with a new ethic, a shared sense of purpose.

But that is far from adopting a strategy of head-count cutting for the sake of the bottom line, a point stressed by Geoff Armstrong, director general of the IPD at its conference in Harrogate last week.

"Nobody ever cut their way to success. *Nobody ever cut their way* to growth," he said. "If even a tiny proportion *of the tens* of billions of pounds written off in the eighties and nineties against redundancy *and rationalisation had* been spent on training, research and innovation, on finding new products and *services, customers and markets*, just think how much better our economic performance would be."

This might not have been *realistic* in a short-term economic climate of boom and bust where redundancy *programmes have sometimes* proved the only option available for survival. But it is difficult to ignore the *implication* that such programmes are a sign of a failure in business to establish a foundation for long-term success.

What price loyalty, then, in the lean and mean business environment of the 1990s, when gurus are preaching the need for responsiveness to continuous change and when some observers believe business is giving up on loyalty? The business case for its retention is made by Frederick F. Reichheld in a forthcoming book, *The Loyalty* Effect**. He suggests, as the Oxford survey would appear to support, *that loyalty is not dead.*

Reichheld links employee loyalty to that of customer loyalty. Both, he argues, are essential to consistent long-term growth and profits. Yet *many US companies do not seem to* have recognised this. On average, says Reichheld, US companies now *lose half their customers in five* years, half their employees in four, and half their investors in less than *one year*.

While some businesses may *have no choice but to cut* their head counts to avoid going under, many of today's lay-*offs, observes Reichheld*, have been carried out by profitable companies. He quotes a decision by a profitable Rank Xerox to cut its workforce by 10,000 – a 10 per cent cut – to improve productivity. Its stock rose 7 per cent on the day of the announcement.

"This kind of news exhilarates short-term investors," writes Reichheld. It does not, he adds, exhilarate employees. "What it does is stifle creativity, discourage risk-taking and destroy loyalty."

Investors in such cases may be like those cynics who, in the words *of Oscar Wilde*, know "*the price of* everything and the value of nothing". Reichheld recalls this when he points out that the immediate savings of laying people off are *quite clear, the long-term* consequences to cash-flow less so.

Personnel specialists have sought *to quantify the cost of employee* turnover by estimating recruitment and training costs, and the loss of *productivity as inexperienced* workers replace older hands. Some have tried also to account for the cost of *the poorer service that may result* from employee turnover.

These "losses" have not convinced *managers* because of their lack of visibility, but they are losses none the less. A team from Bain & Company, the Boston-based consultancy where Reichheld is a director, calculated that a trucking client could increase its profits by 50 per cent by halving driver turnover.

It also found that employee retention was not only more cost-efficient, but had a direct link to the retention and acquisition of customers. In the car service business, for example, it discovered that outlets with the highest customer retention also had the best employee reten*tion. The lesson was plain enough.* Customers felt comfortable doing business with a local mechanic rather than with bigger chains where they rarely saw the same mechanic twice.

Additionally, new business arose not just from customer referrals, but from employee recommendations to their friends and families. This kind of referral drew in more new customers than advertising and *promotion* put together, Reichheld noted.

Reports of loyalty's demise may *have been premature*. It may, as Heckscher suggests, need some redefinition to remove any hint of *complacency, but it should not* be ignored in management statements about "lack of job for life" that can *undermine job security*. Loyalty remains, says Reichheld "one of the great engines of business success, and it is still alive and thriving at the heart of every company with an enduring record of productivity and growth".

**White Collar Blues: Management Loyalties in an Age of Corporate Restructuring, by Charles Heckscher, published by BasicBooks a division of Harper Collins, price £16.99.*

***The Loyalty Effect, The Hidden Force Behind Growth, Profits, and Lasting Value, by Frederick F. Reichheld, Harvard Business School Press, will be available in the New Year in the US, price $24.95.*

Richard Donkin

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BANKING FINANCE & GENERAL APPOINTMENTS

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* A strong reputation as a specialist advisor to international institutional investors

THE POSITION

* A senior equity research-salesperson to be based in Switzerland
* An integral part of an Asian sales team providing strong analytical service to institutional clients.

QUALIFICATIONS

* You have demonstrated outstanding educational achievement which should include CFA, MBA or HWV
* You will be in your late 20's to mid 30's
* You must have a strong analytical or sales background with at least 3 years of demonstrable success as a Swiss or international equity salesperson, Investment Analyst or Asian portfolio manager
* Candidates must be self starters with keen interest in the Asian emerging markets, able to demonstrate strong communication skills, and have an entrepreneurial flair.
* You will be at least bilingual English/Swiss German or English/French

We offer:

* If required-on-the -job training program in Asia.
* Flexible and highly entrepreneurial working environment.
* Your contribution will be noticed and rewarded.

Please send full curriculum vitae stating salary to:

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Crosby Securities (HK) Ltd
27th Floor
Two Pacific Place
88, Queensway
Hong Kong

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1st Floor
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Corporate Finance Executives and Managers

NatWest Markets is a leading European investment bank with significant operations in North America and the Far East. Our activities include corporate finance, securities trading, asset management, treasury and corporate banking.

NatWest Markets' Corporate Finance department provides advice internationally to corporate clients on acquisitions, disposals, flotations, financial restructurings and on other strategic and financial matters. The department draws on the considerable financial strength and industry knowledge of NatWest Markets' other business areas.

Due to increasing levels of new business, we are presently seeking to recruit a number of talented individuals, who wish to build a career in corporate finance, to join our London-based transaction teams.

Applications are invited from:

- commercially oriented ACA's, lawyers or MBA's with up to three years' post-qualification experience, who are probably aged between 24 and 28; or
- executives/managers with two to five years' experience in corporate finance at a merchant or investment bank.

Candidates will be entrepreneurial and will be able to demonstrate a high level of academic achievement, strong interpersonal skills and a high degree of professionalism. Successful candidates will be rewarded by a competitive remuneration package, reflecting experience and qualifications.

Applicants should contact our retained advisors, Guy Townsend or Brian Hamill of Walker Hamill Executive Selection in strict confidence, on 0171 839 4444. Alternatively, please forward a brief resumé to their offices at 103-105 Jermyn Street, St James's, London SW1Y 6EE quoting reference GT 1966. All direct responses will be forwarded to Walker Hamill.

NWM
NATWEST MARKETS
Corporate & Investment Banking

SUPERB OPPORTUNITY

A newly established UK company seeks 3 high calibre, dynamic and hard working individuals to fill positions as traders and dealers in so called "soft" currencies, in particular the Russian and Byelorussian Rouble, the Ukranian Karbov and the Kazakhstan Tenge.

Candidates should be between 20-30 years of age and have at least 3 years experience preferably gained in the C.I.S. They should be used to dealing with turnovers of not less than US$1.5-2m per day. Fluency in spoken and written Russian and English is essential and computer literacy is a pre-requisite.

Candidates are expected to possess excellent presentational skills, business acumen and be flexible enough to work independently as well as in a team environment.

The salary and substantial bonuses are commensurate with ability and performance.

Please reply with a full CV to: Teacher Stern Selby, 37-41 Bedford Row, London WC1R 4JH, quoting reference DS/TUS003/2.

Director of Information Management (CIO)

Major Financial Institution

The African Development Bank, located in Abidjan, Ivory Coast, seeks to recruit its top computer executive to advise CEO on MIS strategy and manage a 80 employee department. This policy-making position requires 20 years experience covering all aspects of MIS in a bank (application development, operations, user support, training, methods and procedures). Mainframe & LAN. Technical competence assumed, the emphasis is on management and leadership skills. Fluency in French or English, a working knowledge of the other is desired. Attractive (tax advantaged) compensation, excellent benefits, relocation assistance, multi-year contract. Role offers unique chance to fundamentally shape and run all aspects of the systems of Africa's largest bank, with over 1000 workstations.

CV plus salary history to retained search consultant by fax USA +1-212-838-4425 (confidential).

هكذا من الأصل

As one of the world's premier financial institutions, GE Capital Services enjoys a reputation for excellence. Their European Vendor Financial Services division is a leading provider of Sales Financing Programmes for manufacturers and distributors within a wide range of sectors including IT, office technology, healthcare and industrial equipment. Following rapid expansion, a highly demanding career opportunity has been created *within their Pan-European Programmes Division* for an exceptional

CREDIT AND OPERATIONS MANAGER - EUROPE

£Executive Package + Benefits

West London

Reporting to the Managing Director, this high profile role is critical to the success of the Pan-European business for GE Capital Vendor Financial Services.

Your challenging brief will embrace the implementation and administration of all controls and procedures, the establishment and management of credit risk parameters and overall operational support for structuring vendor programmes throughout Europe. Proven management skills will see you inspire and lead a dedicated multi-national team and your insight into diverse cultures, combined with the ability to communicate at all levels, will prove vital to your success.

You will have several years experience of leading a Credit and Operations team, have held a sizeable credit authority and managed a $multi-million portfolio.

A background gained within the Financial Services Industry, ideally with exposure to Europe, is required. Fluency in a European language whilst desirable, is not essential.

As a keenly ambitious individual with drive and vision, you will relish the opportunity to further your career within this worldwide Financial Services Organisation. You can expect an executive remuneration package, including benefits, company car and full relocation assistance where applicable.

Please write in confidence, enclosing a full C.V., to Ruth Almond at CSA Management Consultants, Vickers House, Priestley Road, Basingstoke, Hants RG24 9NP. Telephone (01256) 818811. Facsimile (01256) 566840.

USA

*GE Capital

An Equal Opportunity Employer.
*Not connected with the English company of a similar name.

Assistant Performance Measurement Manager

An opportunity has arisen for an experienced performance analyst to become the focal point for the development and operation of performance measurement systems with a major, City based Asset Management company. As part of a small and highly motivated team, using leading edge technology, you will be responsible for data integrity, internal and external performance reporting and liaison with third party performance analysts. You will also contribute to the overall analysis of performance and the smooth running of the performance measurement unit.

Ideally, you will be a graduate with at least 2 years' experience in investment management with a systems, mathematical or analytical background.

Knowledge of the Impart & Paladign systems will be an advantage. Excellent communication and interpersonal skills are required, plus the ability to formulate and develop ideas within a team. In return our client offers good opportunities for career development and an attractive remuneration package.

If you would like to be considered for this position please write, enclosing your CV, in complete confidence to:

IMR Recruitment Consultants, No. 1 Northumberland Avenue, Trafalgar Square, London WC2N 5BW (Tel: 0171 872 5653).

IMR

INVESTMENT MANAGEMENT RESOURCES

Network Management
International Financial Services

Excellent Package — Continental Europe

Our client is a major international financial institution providing customers world-wide with innovative, competitive Securities Services including:

- clearing and settlement
- custody
- securities lending
- cash financing

The effective implementation of the network strategy for services and communications is essential to the continued expansion of the product portfolio and customer base. As a result, career opportunities are available for qualified, highly motivated individuals to join our network management team in both managerial and specialist roles.

Successful candidates will have a proven track record in securities operations and/or network management, with a good knowledge of global capital market trading and settlement practices.

You should have strong presentation and negotiating skills, speak and write English fluently, and in the case of the network manager positions, have experience of managing staff and co-ordinating multi-disciplinary projects in an international environment.

If you are interested in exploring these opportunities further, please send a curriculum vitae and recent photograph to:

INDEPEN

Indepen Consulting Limited, Danbury House, 26 Danbury Street, London N1 8JU.

Corporate Financiers
- Ready for your next move?
£60,000 + Bonus

Are you currently waiting for your bonus, yet contemplating a crucial career move?

We are handling specific assignments for American, European and UK banking organisations keen to recruit outstanding Corporate Financiers who can add immediate value.

You should be able to demonstrate the following:

- At least 2 years M&A/Corporate Finance experience.
- A proven transaction record ideally with cross border experience.
- Enthusiasm and energy.
- A continuing desire to prove yourself.

There are superb opportunities around at the moment so do not hesitate to call us for confidential and informed career advice.

Telecommunications/Media Specialist
£50,000 + bonus + benefits

Our client is an International Investment Bank which distinguishes itself through the skill of its advisory services, the quality of its products, its financial strength and the management of risk on behalf of clients.

As part of its development, towards sector specialism it wishes to appoint a Corporate Finance professional to join its high profile media/telecommunications team.

Providing relevant media/telecoms experience, candidates for this position are likely to come from one of the following environments:

- Corporate Finance.
- Industry.
- Project Finance.
- Management Consultancy.

Career progression will be outstanding for the right candidate.

If you would like to know more about these or other roles please telephone or write to Zoë Ide or Jeremy Cooper, Badenoch & Clark, 16-18 New Bridge Street, London EC4V 6AU. Tel No. 0171 583 0073 Fax: 0171 353 3908.

BADENOCH & CLARK
recruitment specialists

unicef
United Nations Children's Fund

The United Nations Children's Fund, with Headquarters in New York and offices throughout the world, seeks qualified candidates for the following position:

DIRECTOR, OFFICE OF INTERNAL AUDIT

Duty Station: New York, USA (Level D-2)

Responsible for establishing policies for the auditing activity and directing its technical and administrative functions. Develops and executes a comprehensive audit programme for the evaluation of management controls provided over all UNICEF activities. Examines the effectiveness of all levels of management in their stewardship of UNICEF resources and its compliance with established policies and procedures. Reviews procedures and records for their adequacy to accomplish intended objectives, and appraises policies and plans relating to the activity or function under audit review. Appraises the adequacy of action taken by operating management to correct reported deficient conditions, continues reviews with appropriate management personnel on action considered inadequate.

Minimum Qualifications: Advanced university degree or equivalent professional qualifications in accountancy or business/public administration. Specialized training in auditing and modern management techniques. At least 15 years of progressive experience in management and financial auditing, preferably with non-profit organizations; experience in management reviews and consultancies; work or travel experience in developing countries. Fluency in English and one other United Nations working language essential. Good managerial and communication skills required. UNICEF, as part of the United Nations common system, offers competitive international salaries, benefits and allowances. Please send detailed resume, in English, quoting reference number D-2 to: Recruitment and Placement Section (SEK), UNICEF, 3 UN Plaza (H-5F), New York, NY 10017, USA.

Applications for this position must be received by 17 November 1995. Acknowledgement will be sent only to shortlisted candidates.

UNICEF is a smoke-free environment

NOTE: Applications by female candidates are especially welcome.

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To £40,000 with Benefits — City

The Company

- Securities arm of leading Italian banking group.

The Position

- Team member of London-based fixed income sales desk focusing on Italian Lire denominated instruments.
- Maintain existing client base and develop new business

Qualifications

- At least 18 months' experience in fixed income sales.
- Degree in economics
- Must speak fluent Italian
- Good knowledge of Italian current affairs
- Highly motivated, thrive in small team environment.

Please send full C.V. to Box A5783, Financial Times, One Southwark Bridge, London SE1 9HL.

TAIWAN/CHINA SALES

Our client is a major Asian regional broking house. Continuous expansion and the success of their "Greater China" team now requires a full time experienced salesperson in their London office, to service institutional clients in the UK, Continental Europe and North America.

The successful candidate's skills will include:

Fluent English and Mandarin, plus some Cantonese.

Proven experience of Stockbroking and Broking Management in Taiwan.

Work experience in Taipei, London and New York preferred.

References from major institutional clients.

The successful candidate will enjoy salary, medical and pension benefits and a [illegible] bonus pool.

Applications in confidence to:

[illegible], [illegible] International, 1002 Sing Pao Centre, 8 Queen's Road Central, Hong Kong.

Tel: (852) [illegible] Fax: (852) [illegible]

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Investment Banking

Business Development Manager for Central and Eastern Europe

Fluent in Russian, skilled in analysis, entrepreneurial in approach

London based · Excellent package

NatWest Markets is the worldwide corporate and investment banking arm of the NatWest Group and a major player in the global financial markets. Our products and services cover all aspects of trading, corporate and investment banking, asset management and specialist advice.

This London-based appointment, within our Investment Banking Division, will be critical in the development of business in all Central and Eastern European countries – with particular emphasis on Russia and Former Soviet Union countries excluding the Baltic Republics.

Reporting to the Head of Central and Eastern Europe, you will work in close collaboration with the Moscow Representative Office and the relevant product groups to identify and prioritise business opportunities with particular reference to privatisations, corporate and project advisory business, share placements and capital raising. Target industries include oil and gas, mining and metals, power generation, telecommunications and transportation services. Your approach and presentation will involve preparing, developing and negotiating proposals and, where successful, contributing to the subsequent executions of transactions. A key aspect of your role will be the establishment of good relationships with local intelligence and support providers such as financial institutions and legal, accounting and consultancy firms.

A high calibre, numerate professional with skills in company analysis and cashflow modelling to western standards, you must also have excellent interpersonal skills. Fluency in the Russian language, preferably as the mother tongue, is essential along with good commercial English. Previous exposure to investment banking products, such as corporate advisory, is a major advantage.

There is exceptional potential for business growth, and we will be offering a first class remuneration package as well as outstanding future prospects.

Please write with your CV, to: Alastair Lyon, Reply Handling Service, Ref:279, Associates in Advertising, 5 St John's Lane, London EC1M 4BH.

NWM

NATWEST MARKETS

Corporate & Investment Banking

Schroders

Schroders is one of Britain's most prestigious, international merchant and investment banking groups. With an enviable history of stability of ownership and consistency of management our aim is to serve the needs of our clients in all the key financial centres across the world.

SENIOR ANALYST - JAKARATA

With nine research offices in nine countries in Asia, Schroders Securities maintains one of the largest networks of investment analysts and research professionals. Schroders' research is highly rated by industry publications and fund manager surveys and is the foundation of the high quality investment advice which we provide to our clients worldwide.

We are currently seeking a senior analyst for our Indonesian office based in Jakarta. The ideal candidate will have at least two years experience as an analyst and will ideally have had some exposure to a similar emerging market economy. As a consequence they will have the ability to conduct detailed analysis, produce quality written reports and present ideas to fund managers and sales teams around the world.

The successful candidate will receive a generous package which will include relocation and accommodation allowances.

Those wishing to discuss the opportunity in more detail should send a curriculum vitae to:

Search Pacific

Mark Jones, Search Pacific Management Consultants
5th Floor On Hing Building, On Hing Terrace,
Central, Hong Kong
Tel: (852) 2810 4668 Fax: (852) 2521 8571

ANALYSTE FINANCIER SENIOR

EURO TUNNEL

Poste basé à Londres

Rattaché au Directeur de la Trésorerie du Groupe, nous recherchons un analyste financier expérimenté. Assistant le Directeur de la Trésorerie du Groupe sur tous les aspects de notre financement, vous contribuerez de façon importante au développement et à la mise en place de notre stratégie financière.

Tout en réalisant des analyses financières et des modélisations, votre rôle sera d'apporter des conseils expérimentés sur les marchés financiers français ainsi que sur des problèmes financiers. Les connaissances en droit français et une expérience des marchés sont donc essentiels. Membre d'une équipe fortement sollicitée, vous serez impliqué dans les négociations sur des financements par leasing ou à connotations fiscales.

Vous maîtrisez parfaitement le français et l'anglais.

Nous offrons un salarie attractif et des avantages en nature y compris une assistance pour le relogement.

Merci d'adresser lettre de candidature,
CV et rémunération demandée à
Elaine Walker, Human Resources Officer, Eurotunnel,
One Canada Square, Canary Wharf, London E14 5DU,
Fax (44) 0171 715 6666.

SENIOR BOND SALES
Dublin Based

GOODBODY STOCKBROKERS

The Company: Goodbody Stockbrokers is one of Ireland's leading broking firms and a primary dealer in Irish bonds.

The Position: Key member of team selling Irish bonds to international investors.

The Person: Experienced bond salesperson with a well-developed client base. Highly motivated professional with excellent communication skills. Bright, enthusiastic, numerate and a self-starter. Relevant language skills would be an advantage. Ideal age: 28-35.

The Reward: An attractive package will be offered, commensurate with experience.

Please send full cv, stating salary to:
Celine Lynch, Goodbody Stockbrokers, 122 Pembroke Road, Ballsbridge, Dublin 4, Ireland.

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Joanne Gerrard
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M & A ANALYST
London

Our client, a leading financial institution, is looking for an Analyst to join its M&A team.

Experience of M&A transactions, particularly in Southern Europe is essential. You will be fluent in English and Spanish and ideally have experience of maintaining professional relationships with colleagues in the US. Fluency in at least one language besides English and Spanish would be an advantage.

Your academic record should be outstanding; it should comprise an MBA as well as a degree in a relevant subject, such as economics.

If you meet these criteria please apply by sending a full cv with a covering letter in English and quoting *Ref: H110/FT.* Address to the Security Manager if listing companies to which it should not be sent. PA Advertising Limited, Number Two Caxton Street, London SW1H 0QE.

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PROJECT AND STRUCTURED FINANCE

BASED IN SYDNEY

Macquarie is the leading Australian owned investment bank. Voted best bank in Australia by Euromoney magazine in 1993 and 1994, its reputation is built on excellence, innovation and integrity. Headquartered in Sydney, it has regional offices around the world including New Zealand, Hong Kong, Munich, New York and London. The Project and Structured Finance Team is recognised as a market leader in the Asia Pacific region, gaining acclaim through recent *deals such as the M2 motorway project in Australia.*

Due to growth, we now seek candidates for both the structured and project finance teams. Based in Australia, you will work on domestic and international assignments, finding innovative solutions to complex deals. The role will also include marketing, product development and transaction origination and there will be extensive travel *throughout Australia and the Far East.*

We seek outstanding individuals, in their mid-twenties to early thirties. You are most likely to be working for a leading bank or investment bank in this field. With a good degree from a top university, you will have a strong financial background, gained either through relevant experience and training with a market leader or qualifications as an accountant or M.B.A. *Above all, you will be an* energetic deal-doer, who makes things happen.

The culture is demanding, meritocratic, strongly team orientated and supportive. The management structure is flat and there is enormous scope for progression both in Australia and overseas. The remuneration package will be sufficiently attractive to appeal to exceptional candidates.

To apply please send your curriculum vitae to:- Fiona Hanan, Waggett & Company, 4 Clifford Street, London W1X 1RB or contact her on:- Tel: 0171 494 2551 Fax: 0171 439 0222.

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Opportunité de carrière au sein d'une société de gestion de fortune professionnelle, dynamique et performante

Vous avez au moins cinq ans d'expérience dans la gestion de fortune privée et souhaitez être directement responsable de portefeuilles discrétionnaires pour une clientèle privée de très haut niveau, au Royaume-Uni et à l'échelle internationale.

Vous détenez un diplôme universitaire ou une formation professionnelle équivalente, de solides connaissances des marchés financiers internationaux, ainsi qu'une aptitude naturelle pour les relations humaines et les tâches administratives. Vous serez en contact permanent avec les clients et leurs représentants, occasionnellement à l'étranger, ainsi qu'en liaison régulière avec les gestionnaires de fonds GAM. Une parfaite maîtrise de la langue française, de très bonnes connaissances de l'anglais, une méthode de *travail efficace et des connaissances en* informatique sont des atouts nécessaires pour cette position.

GAM est une société de gestion de fortune réputée pour la qualité de ses services. Présente à l'échelle mondiale, GAM dispose d'une gamme étendue de fonds et d'une performance impressionnante. GAM privilégie une structure et un style non *bureaucratique. Fondée en 1983.* GAM a enregistré une croissance spectaculaire et offre d'excellentes opportunités de carrière à des candidats qualifiés, motivés et dynamiques.

Le salaire proposé vise à attirer les candidats de haut calibre. Envoyez-nous un courrier à l'adresse ci-dessous en y joignant votre curriculum vitae. Votre dossier sera traité de manière strictement confidentielle.

Mrs Helen Wells
Global Asset Management Limited
(réglementée par IMRO)
12 St James's Place, London SW1A 1NX

GAM

ACCOUNTANCY APPOINTMENTS

Integrated Distribution Sector

Finance Director

Home Counties — ***c. £75,000 + package***

▪ ***A UK based company providing a specialist, fully integrated, international, distribution service to the publishing industry requires a resourceful Finance Director.***

▪ ***The Client***
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- *Planned further expansion beyond the present £100 million turnover*
- *Public flotation intended during 1996.*

▪ ***The Appointment***
- *Effective design and operation of management and financial reporting systems.*
- *Fully engaged in the commercial reality of the business*
- *Responsibility for the development of the business plan and consequent detailed budgets.*
- *Compliance with all statutory requirements.*
- *Reporting to the Managing Director for the whole finance and IT function.*

▪ ***The Candidate***
- *Proven ability of senior financial management in a public listed company.*
- *Keen interest in the reality of a business providing fast, effective service to customers, founded on accurate, timely information.*
- *Graduate, chartered accountant.*
- *Capability to think strategically.*
- *Commercial acumen and objective self confidence.*

▪ ***Please send a summary of how you match this appointment with your curriculum vitae and salary details, to Peter Dell, Ernst & Young Management Resourcing, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH, quoting reference PD683.***

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Two highly challenging roles for accomplished accounting professionals with experience of construction industry to apply broad range of skills.

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- ◆ Successful, well-established, £250 million organisation. Provides design, engineering and installation services.
- ◆ *Part of £1 billion+ multinational group.* National and international network of offices. Significant resources available to drive growth.
- ◆ Proactively promotes teamwork, creativity and highest standards of ethics and customer service. Commitment to retaining best staff.

THE POSITION
- ◆ Regional responsibility for complete accounting and management reporting function. Focus on careful cash control and exception reporting.
- ◆ Sit on management board. Assist and contribute to achievement of business objectives.
- ◆ Lead, motivate and develop team. Seek to minimise costs and inefficiencies.

QUALIFICATIONS
- ◆ Professionally qualified accountant. Experience gained in construction industry, ideally in large organisation.
- ◆ Ability to develop team and liaise effectively with other disciplines. Strong attention to detail with sound analytical skills.
- ◆ Self-starter, well balanced. Corporate and team player. Initiative to identify and resolve problems personally. Computer literacy essential.

Please send full cv, stating salary, ref BP4356 (Manchester) and BP4357 (Bristol), to NBS, Berwick House, 35 Livery Street, Birmingham B3 2PB

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c. £85,000 package + benefits — ***FMCG Multinational*** — ***London/Brussels***

European Financial Planning Manager

Superb opportunity for a high calibre finance professional to play a key role in managing the continued expansion of this substantial division within a highly successful multinational. Active in all European countries with high profile brands. Role requires strong commercial acumen, ability to drive change and extensive contact with operating units. Excellent career prospects in finance and line management.

THE ROLE
- ■ Responsible to the Divisional FD for the delivery of first-class management accounting, reporting and EIS systems to improve control and decision making by line management. Managing a small head office team.
- ■ Developing robust and business-focused budgeting and planning processes, focusing on key financial and non-financial performance indicators
- ■ Providing commercial support to the business units and country management teams, integrating acquisitions, reviewing capital expenditure requirements and operational issues.

THE QUALIFICATIONS
- ■ Probably 35+, graduate Accountant with proven record of upgrading management accounting and planning processes in a progressive FMCG multinational. European languages a definite advantage.
- ■ First-hand experience of specifying and implementing accounting and planning systems and integrating acquired businesses. Ability to provide support to the strategic planning function.
- ■ Commercial in outlook with strong communication skills and ability to interface effectively with line management. Potential to progress rapidly within the Group

Leeds 0113 2307774
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Manchester 0161 499 1700

Selector Europe
Spencer Stuart

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$1 billion in Europe and still growing fast

Competitive remuneration + car allowance — **Euro HQ, Bracknell**

As one of the world's top PC companies, where sales are increasing by over 50% year on year and whose share price has more than doubled in the last twelve months, we are continuing to strengthen our European organisation. We are ambitious, energetic and highly successful. This substantial growth and investment has *created the need for two key appointments within our expanding finance team at our European HQ in Bracknell.*

Director, Financial Planning and Analysis - Europe

Reporting directly to the VP Finance, Europe, you will be responsible for developing, analysing and presenting coherent financial plans for Dell's business in Europe, the Middle East and Africa. This will involve both short term forecasting and *performance reviews, as well as the preparation of a* 3 year strategic plan. You will liaise closely with senior function heads and country managers to ensure that financial plans are clearly aligned to business strategy. You will also have line management responsibility for a small team of Planning Analysts.

An Accountancy/Business graduate, possibly with an MBA, you should have at least 8 years' experience gained within a rapidly evolving business, with revenues in excess of $200m. Exposure to the complexities of a fast growing organisation with devolved European structures is essential. You must demonstrate a highly commercial orientation and an ability to quickly acquire a detailed understanding of market dynamics. Committed, ambitious and energetic, you should derive satisfaction from success and achievement with little regard to hierarchy or status.

This is a high profile role with significant potential to move into other senior management roles within our country business units. **Ref: 11/870**

European Tax Manager

As Dell's key tax representative in Europe, you will act as the main interface with tax auditors, external advisors, and regulatory bodies and provide regular and detailed information to Corporate Tax in the US. In particular, you will co-ordinate the preparation of all statutory tax returns, as well as advising on all legal, compliance and audit issues. You will also work with the Corporate Tax department to maximise tax efficiency for the company.

You will need a formal accountancy/tax qualification, and be able to demonstrate at least *5 years' tax experience in public accounting.* A confident communicator, you should be able to deal effectively with external experts and to convey complex issues clearly and concisely to non-specialists internally. European language skills would be advantageous. **Ref: 11/871**

These are excellent opportunities to join a talented and growing team. Dell's outstanding success and development in Europe will continue to provide scope for rapid career progression. Please send your cv, quoting appropriate reference, and including your home and business telephone numbers to: LJA Recruitment Management, 12 Celbridge Mews, Porchester Road, London W2 6EU. Telephone: 0171 243 1888.

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PEEK TRAFFIC

FINANCE DIRECTOR

c.£50,000 + Bonus + Car

Peek Traffic, part of the quoted multi-national electronics group Peek plc, is a market leader in the design, manufacture and maintenance of advanced traffic products and systems for urban and motorway management control. The company has experienced considerable growth both organically and by acquisition during the last three years and has a current turnover of £35m.

Reporting to the MD and working closely with the unit business managers, your role will be to provide support to ensure the maximisation of profit opportunities and the optimum utilisation of assets within the business. You will be responsible for the financial management of the business, enhancing financial controls and, as a key member of the management team, providing input to the strategic planning process.

Probably a chartered accountant aged 35-40, you should have at least 10 years' post qualification experience *with a strong operational track* record and, ideally, exposure to a similar technology, in an international business environment. You must be computer literate, and familiarity with project accounting and *contractual issues is essential.* Your personal skills will include leadership, broad business appreciation, a proactive approach and the capacity to grow in a demanding and stimulating environment.

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FINANCIAL TIMES SURVEY Friday November 3 1995

ATLANTA AND THE STATE OF GEORGIA

Queen of the South is in party mood

The 1996 Olympics will set the seal on Atlanta's recent achievements. Their long-term effect is less certain, writes Richard Waters

When the Atlanta Braves lifted baseball's World Series last Saturday night, it came as sweet vindication. The unofficial capital of the US's south east, so long the under-achieving braggard, had finally won something.

The New York Times may have been a little premature when it said that the remains of Atlanta's inferiority complex disappeared over the right field wall with the home run that decided the Series' final game. What is indisputable, though, is that this city of 3m people has something tangible to boast about after three decades of phenomenal economic growth that has lifted it into the front rank of US cities.

Next year, on July 19, Atlanta will try to elbow a space for itself among the world's leading cities as well: the Centennial Olympic Games will begin in a new stadium which rubs shoulders with that used by the Braves.

This being Atlanta, the Games will come with an almighty swagger. Natives of the city, almost overawed by their own precociousness, will tell you that, by virtually any measure you care to use, this will be twice as big as the Los Angeles Olympics. An expected 2m people will be there to attend this huge party, with 3bn more viewing on television.

The sub-text, of course, is that Atlantans think they are ready to stand alongside Los Angeles – and any other old-line US city – in the world rankings. Just listen to Mr Andrew Young, a former mayor of Atlanta and Jimmy Carter's ambassador to the United Nations: "We want to be for the world what London was in the 17th and 18th centuries."

The rest of Georgia – and, indeed, the rest of the south east – may wonder what it all means. Is this some giant hubris, a build-up to a two-week party that will be remembered more for a hangover of disappointed ambitions than its celebration?

More generally, they may also wonder what Atlanta's growth means for the South as a whole. Has it sucked in the resources – labour and capital – that would otherwise be fuelling an economic advance throughout the region? Or is it one of the main engines that will help the South finally to emerge from the long slumber that left it lagging the rest of the nation?

It is impossible to discuss Georgia's prospects these days except in the context of the burgeoning metropolitan area in its upper left hand corner. Traditionally, though, the state has been viewed around three geographic (and racial) divisions.

Foremost among them is the Cotton Belt, a broad plain that sweeps across the centre of the state. This was the area that once supported Georgia's claims to being the Empire State of the South – before the pestilential boll weevil wiped out the cotton and a Yankee commander, General Sherman, laid waste its cities, ushering in nearly a century of economic slumber.

The racial patterns created by plantation slavery still exist, with most blacks still living in the central part of the state.

This is bounded to the north by an Appalachian region made up traditionally of poor, mostly white, farmers. These days, in common with the neighbouring Carolinas, retirees are flocking to the area, where the scenery is pretty and the golf is good. To the south and east lies a second rural, mainly white region, that grows peanuts and poultry.

The old social and racial divisions of these three Georgias still exist. These days, though, it can sometimes seem as if there are only two Georgias – Atlanta and non-Atlanta.

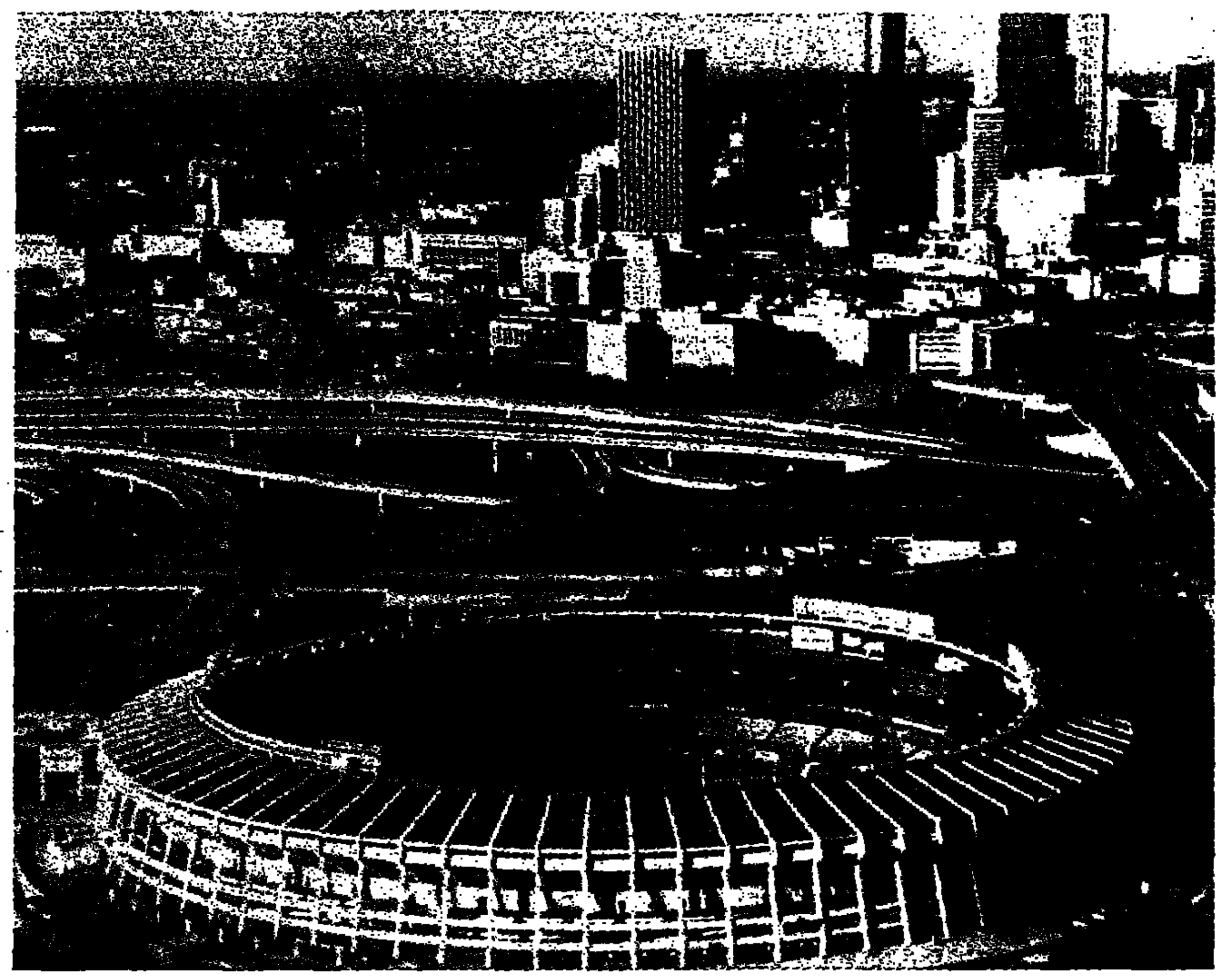
The city's emergence once owed a lot to its location as a hub for rail and, later, air transport: more recently, though, it has become a centre for services industries throughout the south east.

Last year, employment in Atlanta jumped by around 6 per cent to over 1.8m – maintaining the city's superior growth rate over Tampa and Orlando, Florida's two fastest-growing cities. The metropolitan area has accounted for more than half Atlanta's jobs since the turn of the decade.

This may or may not be good for the surrounding region. Commenting on the city's surge, Mr Zell Miller, Georgia's governor, says: "It's rippling out in some places, like Columbus, Augusta, Macon and Savannah: but in other places, it isn't."

Certainly, a handful of other Georgian cities can point to modest, if unspectacular growth, helped in part by the presence of Atlanta. "It provides the headquarters for factories in the rest of Georgia," says Mr Jeffrey Humphreys, director of economic forecasting at the University of Georgia. "If it wasn't for Atlanta, those jobs wouldn't be here."

Though the rest of the state has not grown as fast as Atlanta, its population has jumped by a half over the past quarter of a century, to around 7m people. At current trends, it will probably have overtaken North Carolina this year.



The Atlanta-Fulton county stadium: a city of 3m eager to play host to the world after 30 years of phenomenal economic growth

Rural areas, though, have benefited less from the fruits of economic success. In the southernmost parts of the state, in particular, Atlanta's development can sometimes seem very remote – especially as the city continues its pattern of northward growth that is shifting its centre of gravity ever-closer to North Carolina.

Georgia's rural areas also exhibit most clearly the vestiges of the Old South from which the rest of the state also suffers. Poverty and an under-financed education system coexist with sharp social divisions built around race and church.

According to the official data, around 15 per cent of the state's population lives below the poverty line. It has one of the worst voter participation rates of any state in the Union – only 47 per cent of people of voting age exercise their democratic rights. And, like other southern states, it has spent too little on education.

The result is a workforce that may be well-suited to the textile or metal fabricating jobs of the present, but which is less prepared for the more highly-skilled jobs of the future. "If there's one area where the American South is at risk, that's it: the literacy rate and high school graduation rates are totally unacceptable," says a senior economist at NationsBank in Atlanta.

Governor Miller has channelled more money into education, but that alone may not be enough. "We've got to have a better-educated and more highly skilled workforce," he admits. "Money is important, but it's also a matter of time."

Atlanta has its own share of the social and economic woes. Both blacks and whites are fleeing the inner city in a phenomenon known locally as "blight flight".

The city's enviable record in race relations is likely to be tested severely in future, in common with other big US cities.

For now, though, Atlanta's leaders are busy preparing themselves for the Olympic party. "It's the largest one-time event in the history of the state," says Mr Humphreys.

The modern Olympics, at least as interpreted by the US cities which host them, have become the world's biggest corporate jamboree. And while the companies that have helped meet the Games' $1.6bn budget are counting on the world's attention to boost their own international standing, Atlanta's leaders are hoping it will provide an economic springboard for the city as a whole.

"When I first went out recruiting industry in the early 1970s, no-one knew about Georgia – they had heard of Coca-Cola, and *Gone with The Wind*, and that's all," says Governor Miller.

To a large extent, that is still the world's view. Hosting the Games will give the city, and the state, the chance to work on those attitudes: while the Olympic movement celebrates its centennial, Atlanta will be celebrating the largest corporate hospitality event ever.

The Olympics are likely to leave behind a hangover. As Mr Bill Campbell, Atlanta's mayor, says: "Every city that has hosted the Games has had some postpartum depression." But if they also give the sort of push to Atlanta's ambitions that locals hope, the pain should not last long.

IN THIS SURVEY

Wildlife refuge in south-east Georgia

Politics: by Richard Waters

The consensus is crumbling

Georgia's moderate conservatism is under strain and race is back on the political agenda

The political winds of the South have turned, and a moderate and conservative Democratic tradition could be swept away. The rueful conclusion of *Mr Zell Miller, Georgia's Democratic* governor: "They never blow in the same direction for ever."

As one of the few southern Democrats to be reelected last November in the Republican landslide that swept the country, Mr Miller is looking pretty lonely right now. Georgia's state house may have remained Democratic: but virtually every important state and national political position was handed by the state's voters to a Republican.

The national and regional political revolution of 1994 is embodied in Georgia's two best-known national political figures. One, Mr Sam Nunn, is a southern Democrat of the old school: a conservative, willing to engage in bipartisan politics to build coalitions around particular issues.

The other, Mr Newt Gingrich, is a politician of an altogether different stripe. Representing Cobb county, a suburban area of Atlanta, Mr Gingrich does not adhere to the bipartisanship that has inspired the state's politicians for decades. And as an ideo*logue, "he's not just something* new for the South – he's something new for Washington as well," says Mr Charles Bullock, a professor of political science at the University of Georgia.

Mr Nunn's announcement this summer that he would not run for reelection – the latest from a growing line of senior Democrats – has served only to strengthen the perception that the Republicans' day in the South has arrived.

In truth, the politics of Georgia have been more chaotic, and less one-sided, than is generally recognised. *Back in 1964*, for instance, the Democratic state voted for the Republican presidential candidate Barry Goldwater. The presidency of Jimmy Carter, a Georgia native, in the late 1970s may have delayed the growth of the Republican movement in the state, but only temporarily.

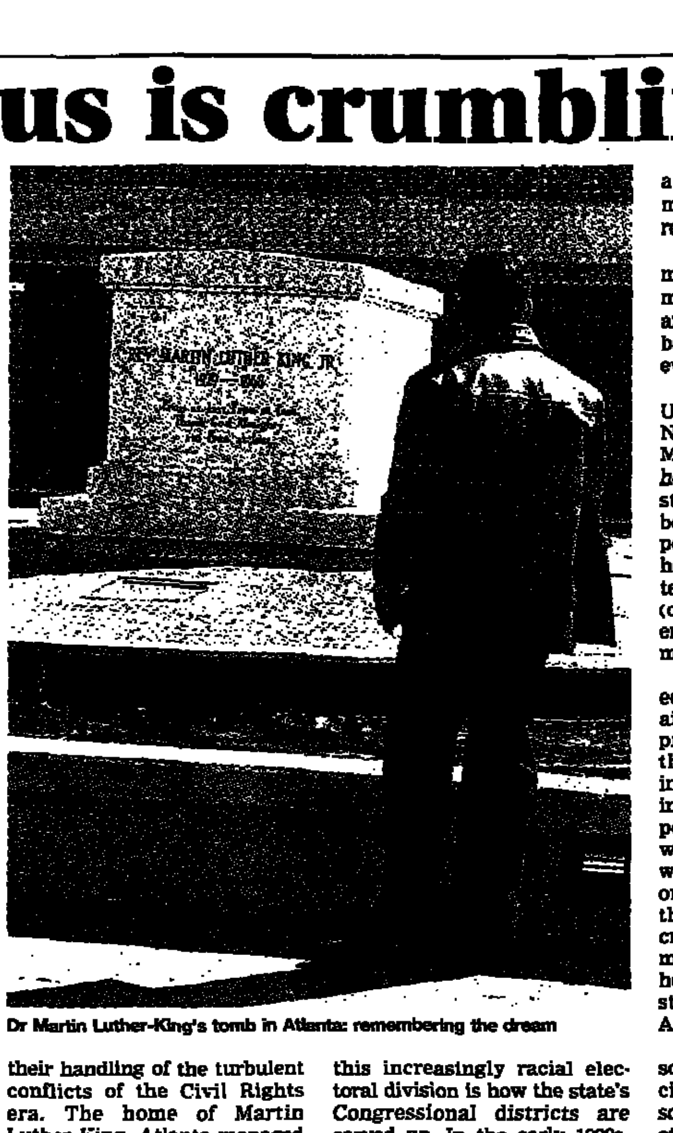
The seeds of last November's political revolution can be traced, in Georgia as elsewhere in the South, more to disillusionment with the Clinton administration than to a strong ideological shift. It also owes much to better organisation. Without a traditional base in the region, *the Republican* party set about building one in a methodical way – screening candidates, developing a fund-raising machine, selecting which voters target. By contrast, the local Democratic machine has been revealed as badly organised and dispirited, says Mr Bullock.

Despite the political shift, there are many issues on which local politicians from both parties agree. This is a state where low taxes and a lack of government intrusion in people's lives are taken as read. Governor Miller, for instance, calls himself "a very strong fiscal conservative." He adds: "Voters are not willing to have any additional tax increases."

There are plenty of issues that could be set to divide the state more along political, social or racial lines in future, though. One is welfare reform, a subject which could come to have a significant impact in next year's Presidential elections. And two other potentially divisive issues are beginning to play a larger role in the politics of Georgia, and the *region generally: race and religion*.

The political influence of the churches in this bible-belt state has traditionally been limited to their immediate congregations. But the rise of the Religious Right has brought moral issues out of the pulpit, in the process prompting deferential gestures from some Republican Presidential hopefuls. The power of the right-wing Christian lobby could eventually prove a threat to Republican power in the state, if it divides voters on the right on issues like *abortion*.

Race, meanwhile, is also coming to assume a greater political significance. Georgians – and Atlantans in particular – point with pride to



Dr Martin Luther-King's tomb in Atlanta: remembering the dream

their handling of the turbulent conflicts of the Civil Rights era. The home of Martin Luther King, Atlanta managed the political transition with less upheaval than was seen in most neighbouring states. "We didn't *have fire hoses being turned on students or dogs* snarling at children," says Mr Bill Campbell, mayor of Atlanta.

Another feature of Georgia's racial politics has been the ability of its politicians to build platforms across racial boundaries (though there have been noted exceptions: Lester Maddox, elected governor in 1966, was said to have chased black customers away from his chicken restaurant with an axe handle.)

Increasingly, those bi-racial coalitions seem to be fractur*ing. White voters have swung* more to the Republican party, while blacks remain overwhelmingly Democrat in their voting habits.

One question hanging over this increasingly racial electoral division is how the state's Congressional districts are carved up. In the early 1990s, the Republicans used an earlier piece of Democratic legislation to reorganise voting districts in some Southern states *– Georgia among them – to* concentrate the black vote into fewer districts. That in turn diluted the non-white vote in other electoral areas, improving the prospects for Republican candidates.

A court decision that found this redistricting unconstitutional has reopened the issue. In a five-week special session late this summer, Georgia's legislature was unable to agree on a reorganisation of electoral district boundaries. It has now been left to the courts to determine.

A reversal of the earlier redistricting move may serve to weaken the racial polarisation that has built up in the state electorate. In other respects, though, racial polarisation seems set to become more pronounced, and race relations face a clouded future.

Economically, more blacks may well be climbing into the middle classes. But socially and politically, the races may be becoming more divided than ever.

Mr Andrew Young, a former US ambassador to the United Nations, Congressman and Mayor of Atlanta, says the best *hope for race relations in the* state is that "capitalism has been made to work for the poor people": enough of Georgia's heady economic growth has filtered down to the less well-off (often black) population to ensure a degree of racial harmony and a common purpose.

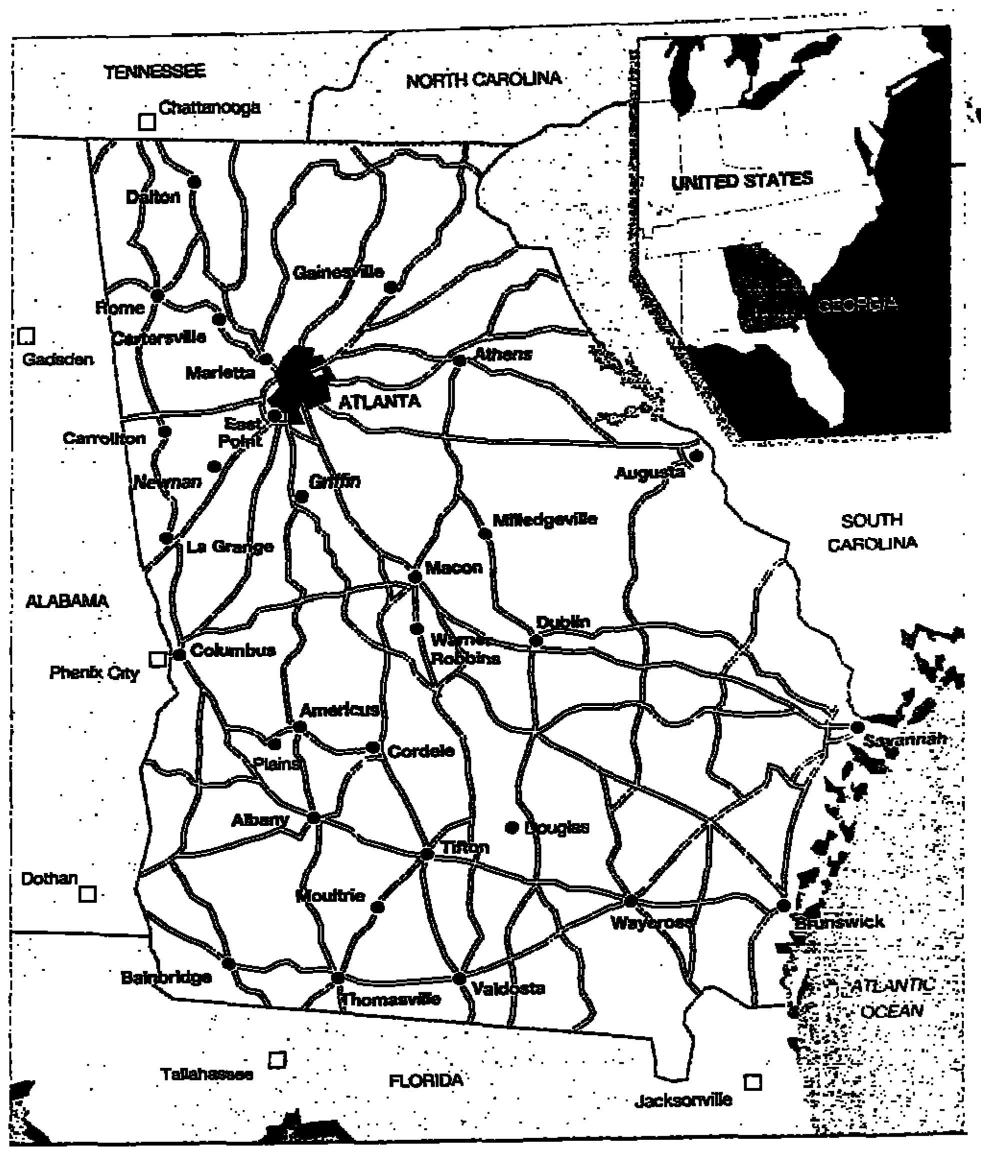
He adds that the sharing of economic benefits has been aided by affirmative action, a practice which elsewhere in the US has come under increasing attack – beginning in California, so often the US's political trendsetter. "It has worked for us, and it works for whites," says Mr Young. "California is in a recession and they're fighting over the crumbs. You haven't heard much about affirmative action here – there's no-one demonstrating in the streets in Atlanta."

Yet poverty remains a severe social problem, both in inner-city Atlanta and the rural south of the state. And, as with other big US cities, Atlanta is facing an exodus of the middle classes to the suburbs.

That flight is not restricted to whites, says Mayor Campbell. *"It's not a racial dynamic.* The problem has been more one of black flight than white flight. Yet it has its racial aspects. Whereas whites are moving out to the north and east, most blacks have moved out to the South. As the races *diverge, leaving a poorer city* centre, the chances for racial harmony weaken.

This growing racial divide has its reflection in a broader national shift, exemplified last month by the convergence of 500,000 black men on Washing*ton for a* rally organised by Mr Louis Farrahkan, leader of the Nation of Islam.

"Race is closer to the surface and touching a broader range of areas than at any time in a generation," says Mr Bullock of the University of Georgia. Of Mr Farrakhan's segregationist views, he adds: "It's soemthing the old-time racist politicians of the South would have been very comfortable with."



Economic resurgence: by Barbara Harrison

Go south, young man

For four decades, jobs and workers from other parts of the US have flowed to the South, changing the shape of its economy

Over the last four decades, the US economy has shifted southward, bringing millions of jobs and the workers to fill them from other parts of the nation. Today, it is almost as easy to hear an accent from New Jersey or Detroit in Atlanta as it is to hear a Georgia drawl.

The industrial migration was *led by textile and clothing factories*, which came for non-union, lower-wage labour and cheaper operations costs. Other manufacturing, including electronics assembly and aerospace, followed, and lately the automotive industry has come South. More recently, the Sunshine Belt has drawn many sophisticated telecommunications and high technology businesses.

Now, more than a quarter of all US manufacturing jobs are in the South. The region's economy has grown steadily at a rate exceeding the US as a whole. During the decade between 1983 and 1992, for example, the regional pace of economic growth for the states of Alabama, Arkansas, Florida, Georgia, Kentucky, Louisiana, Mississippi, North Carolina, South Carolina, Tennessee, Virginia and West Virginia – those that make up the traditional South – was greater than that of the US as a whole in every year but one, according to a report by Donald Ratajczak, director of the Georgia State University Economic Forecasting Center.

The industrial move southward has changed what was once a primarily agricultural and extractive industry backwater into a vibrant regional *economy*, with *arguably more* attractions than any other area of the country.

Foreign as well as US investors have found the South's tax incentives, still relatively *lower wages and amenities to* be alluring enough to have awarded it some of the biggest investment prizes of recent years. BMW picked South Carolina and Mercedes chose Ala*bama for their first US plants*. Nissan went to Tennessee, Toyota to Kentucky, and Daimler Benz to North Carolina.

Much of the inward foreign investment was to gain a presence in the vast American market. Japanese automotive investments, for example, which are primarily for the US market, have helped take some of the sting out of US-Japanese trade relations.

However, trade has recently loomed higher in the calculations of investors. Both Mercedes and BMW, for example, *are to export large portions of* their production in Alabama and South Carolina.

The North American Free Trade Agreement has helped kindle investor interest in having a foothold in a relatively cheaper but stable area from which to export to Canada and Mexico.

Texas is the biggest winner with respect to Mexico's market, but even the textile industry of the southeastern states has been buoyed by exports to Mexico. The southeast, particularly Florida and Georgia, which have the transportation infrastructure to support significant commercial growth, expect to be the main beneficiaries of greater trade with Latin America.

While a complete free trade area in the Americas is still a fantasy, the ports of Miami, Savannah and New Orleans and the airports of Miami and Atlanta are predicted to be the prime gateways for inter-American trade traffic.

Atlanta's Hartsfield International Airport, already one of the world's busiest, is the fastest growing international gateway. It claims the world's largest passenger terminal and has more than 1m square feet of cargo handling space.

Eighty per cent of the US population is two hours or less away in flying time. And the port of Savannah, whose two terminals serve 250 ports in 160 countries, has just completed two big projects to remove navigational barriers to the new generation of giant ships entering the world's cargo fleet.

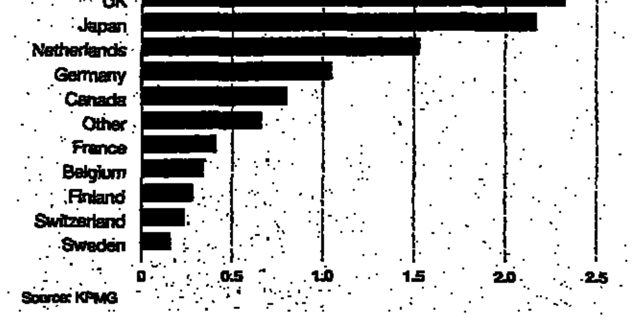
Banking and financial services may remain concentrated in New York, but they have grown enormously in the South. Nationsbank, based in Charlotte, North Carolina, will be the third largest bank in the nation after *the consolidation* of New York's Chase Manhattan and Chemical Bank.

Many challenges remain in the South, particularly in education and workforce skill levels. But in many states these are being addressed, and several states have developed some of the most innovative educational programs in the *nation. South Carolina, for* instance, has established a customs training programme that links investors and a network of the state's technical colleges.

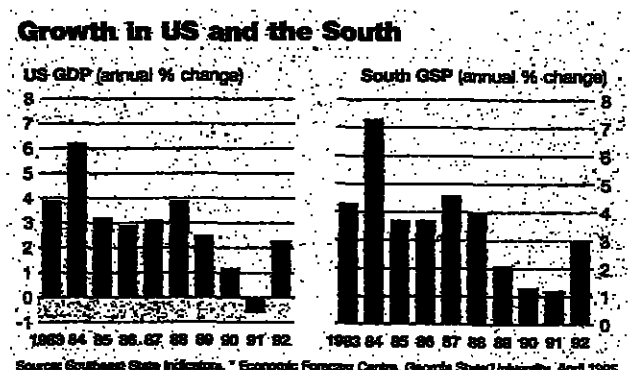
While the appetite of the South's growing industries represents the biggest opportunities for exporters, the consumer market is strong and growing. As the *region's economy* has boomed, employment and population have mushroomed, particularly in the six fastest growing southern states – - Georgia, Florida, North Carolina, Tennessee, Virginia and South Carolina.

Their population growth rate has outpaced the nation's since 1980. While the per capita income in the South remains below the national average in all states but Virginia, non-farm personal income gains have regularly run above the US national average. Moreover, the vibrancy of the *South's* economy has helped sustain consumer confidence even when many other parts of the country were gloomy, making the name "unshine Belt" as apt a *name for* the area geographically as it is for the region's attitude.

Investments in Georgia



Growth in US and the South



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■ **Forecasting the bonanza from the Olympics:** by Barbara Harrison

Atlanta counts its 1996 chickens

Whoever wins the medals, next year's Olympic city is confident of a financial bonanza

With less than nine months to go before the start of the 16-day extravaganza of the 1996 Olympics, Mr Billy Payne, president of the Atlanta Committee for the Olympic Games (ACOG), seems astonishingly relaxed and confident.

It is the confidence of a man who, despite much doubt and derision about his 1987 vision of capturing the Olympic Games for Atlanta, has watched his dreams come true. It is also the confidence of a man who says he has 85 per cent of the $1.6bn needed to stage the Games in the bank.

Mr Payne, a native Georgian with a Southern "good ole boy" manner, has mobilised unprecedented corporate support for the 1996 Games, which will be financed entirely by the private sector.

He has recruited 10 leading corporate partners for the Games, including Anheuser-Busch, AT&T, Champion, Delta Air Lines, Home Depot, IBM, McDonald's, Motorola, Nationsbank, and Swatch, all theoretically at a price tag of approximately $40m each.

Although the ACOG's income from partners is only partly in cash with the rest from goods and services, Mr Payne is not worried about a shortage of resources. He has also signed on another 18 corporate sponsors, including BMW, Bell South, Holiday Inn, General Motors, Nissan and Texaco, for lesser sums.

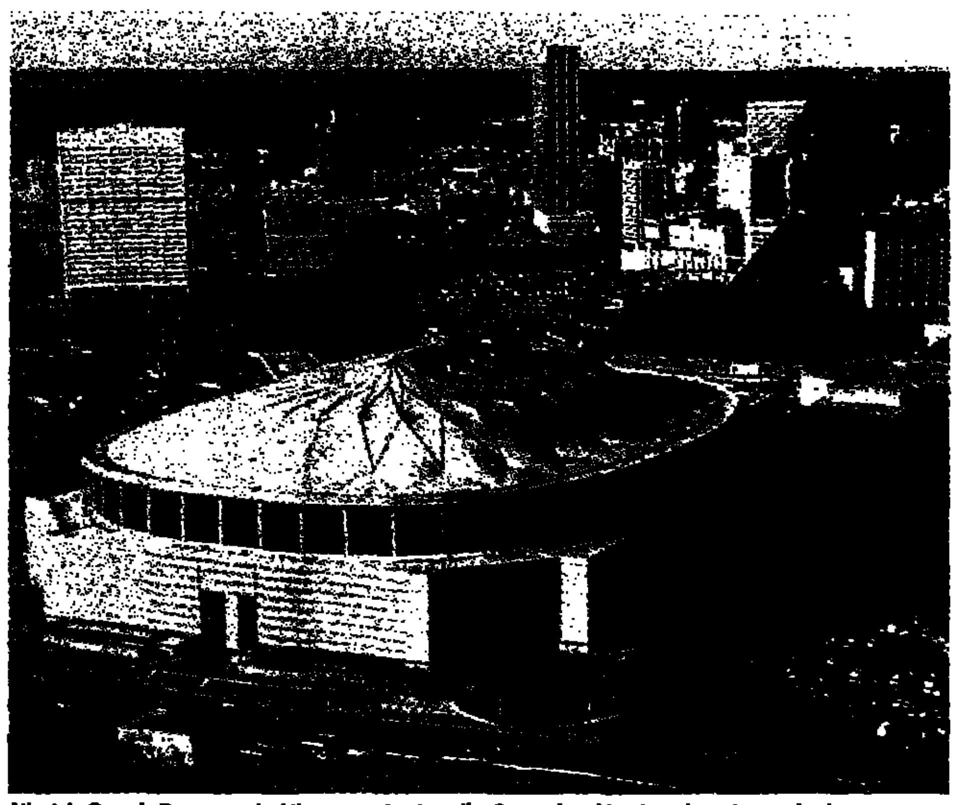
He has also been helped to meet his financial goals by a record sale in broadcast rights, worth nearly $800m. "The Olympic Games are very big business," he acknowledges, predicting that the remaining 15 per cent of what is needed to spend on the Games will come from the sale of over 11m tickets and assorted Olympic merchandise.

Like a man coasting to the finish, he says his main job now is to contain expenses. While attracting huge corporate backing for the Atlanta Games is a big achievement in terms of mounting the Games, it is also a success of another kind.

The primary goal of Mr Payne and other Atlanta promoters was for the Olympics to put the city on the world map, particularly for business investment. With the record amount of corporate support for this event, Mr Payne can feel that he is already well down the road to his principal objective.

Critics of Mr Payne say that the 1996 Games are in thrall to private companies and gravely at risk of losing the Olympic spirit to rampant commercialism. He pooh-poohs such charges, seeing no inherent contradiction between the commercialism of the Games and the Olympic spirit. "Companies can participate tastefully," he says.

Corporate support has meant that Atlanta will stage the biggest Olympics ever. They will be 25 per cent larger than Barcelona in 1992 in terms of the number of venues and employees, and 10 per cent larger in terms of athletes. They will be twice as large as the 1984 Games in Los Angeles, the last US host city for the summer Olympics.



Atlanta's Georgia Dome: most of the money to stage the Games is said to have been been raised

But even Mr Payne says double digit Olympic growth has got to stop. "The event," he says, "is just getting too big." He believes that Atlanta could prove to be a turning point after which the International Olympic Committee will halt the massive growth of the Games.

For many Georgians, though, having the biggest ever Olympics is a point of pride. Local public support for the Games is strong, not least because they have already brought an economic windfall.

Preparations for the Olympics, including $600m in construction of venues, have pumped up the state's economy. It recorded a robust 5.2 per cent growth last year and is predicted to expand at over 5 per cent this year and next.

Mr Andy Young, the former US ambassador to the United Nations and two-term mayor of Atlanta, who is co-chairman of ACOG, says that the Olympics have fueled Atlanta's growth since 1990.

The overall economic impact in Georgia from the Games between 1991 and 1997 is estimated to reach $5.1bn, according to an economic impact analysis by Jeffrey Humphreys of the University of Georgia and Michael Plummer of IRE Advisors, an economic and management consulting group. That eincludes direct spending by ACOG, expenditures by out of state visitors and the induced impact (or respending of initial dollars within the state).

> Events are also taking place in the cities of Athens and Savannah as well as Atlanta

While the bulk of the direct economic benefits will be in the Atlanta metropolitan area, some will spread across Georgia with key sporting events taking place in the cities of Athens and Savannah. The state itself is set to gain more than $175m in net additional tax revenues.

A substantial part of the economic boost from the Olympics is the creation of more than 77,000 full and part-time jobs, nearly a quarter of them in the lodging and amusements industry. Another 15 per cent are in restaurants and bars.

However, construction employment will cease before the Games begin and many other jobs are likely to disappear when the Olympics are over. This is expected to send the economy of the city and state into a slump in growth, though not a recession, according to Mr Donald Ratajczak, the director of the Economic Forecasting Center at the Georgia State University.

But if the drive by the state of Georgia and the city of Atlanta to use the Olympics to draw investment is successful, fresh business activity could buoy the economy in 1997 and beyond.

In any case, the Olympics will leave Georgia with a rich legacy of world class sporting venues. And the city and the state plan to attract other important sporting events to Georgia.

Reflecting the size of Atlanta's post-Olympic ambitions, Mr Young says he envisages adding another tennis Grand Slam event – the Southern Open – to the international tennis roster. Perhaps the Mint Julep Cup?

Where the real thing started: an illustration of the Atlanta pharmacy where Dr John Pemberton on May 8, 1886, developed the cordial that became known as Coca-Cola

PROFILE *Games sponsor UPS*

$40m to wear those five rings

How much are the five Olympic rings worth to a company? As the Games have grown, Atlanta has tested the limits of corporate sponsorship.

The answer, according to Atlanta's Olympics organisers: $40m.

"It was unheard of," says Mr Billy Payne, who has led Atlanta's bid for, and organisation of, the Olympics. "People said it couldn't be done: the highest for a national sporting event was $4m, not $40m." The money, though, is now in the bank – and the corporate backers seem confident it will prove to be money well spent.

One of those to put up the $40m is UPS, the delivery company which moved its headquarters to the northern rim of Atlanta four years ago. The exposure the company will gain from its backing of the world's biggest sporting event will be worth far more than that, says Mr "Oz" Nelson, the company's chairman.

In all, UPS expects to spend $80m-100m on sponsorship, advertising and other marketing activity around the Olympics, according to Mr Nelson. Much of that is normal marketing and other spending which has been shifted to reap the benefit of the Games. Like other sponsors, UPS's contribution to the Atlanta organisers includes payment in kind, as well as cash.

UPS hopes that, for a company looking to raise its name recognition internationally, the Games will provide a powerful platform. The company's chocolate brown delivery trucks have been carrying the Olympic rings since the beginning of last year. One of the main targets for this promotional activity: Europe, where the company has spent heavily to build a continent-wide network to rival its domestic delivery operation.

Reviewing UPS's international ambitions, Mr Nelson says: "Our greatest challenge remains Europe." It is likely to take another "couple of years" before the company moves into profit there, he adds.

UPS is counting on the Games to help internally as much as externally. The push into Europe, on the back of a number of acquisitions, has taken the company's total workforce to 315,000. Many of those workers, while dressed in the company's familiar brown uniforms, have yet to be brought into its corporate culture.

The Games have provided an opportunity to launch a number of initiatives internally to create a greater sense of unity of purpose, says Ms Rosemary Williams, who is leading UPS's Olympic efforts. The aim, the company adds, is to use the Olympic values to "unite and transcend the cultural diversity of the workforce" and to create a sense of "commitment, performance excellence and quality survice".

> To raise big money in the US you have to go to big corporations

Mr Nelson says the Olympic movement has little option but to rely for money on companies like his. "It's the way to raise money in the US," he says. "You can't go to local coalitions and get that sort of money – you have to go to corporations."

Adds Mr Payne: "The Olympic Games are very big business right now - to deny that is just crazy."

Richard Waters

4 ATLANTA AND THE STATE OF GEORGIA

From poverty to affluence: by Barbara Harrison

Happy days again

For 20 years, Georgia's growth has largely outpaced that of the US as a whole

Ge rgia's wealth has become palpable. In Atlanta, which accounts for about half the state's economy, high class stores are as common as K-Mart and luxury automobiles clog the highways.

In Savannah, the state's epicurean capital, posh restaurants offer world class meals with world class prices. Exclusive resorts dot the coast. And even the fertile plains of the agricultural south hold millionaire onion farmers.

Georgia was not always so, but since the 1970s the expansion of Georgia's economy has largely outpaced US national growth, and it is poised to do so again this year and next.

"Georgia is doing a lot better relative to the rest of the United States," said Andy Krikelas, regional economist at the Atlanta Federal Reserve Bank. "A rosy outlook is accurate."

While the state's economy is currently getting a boost from pre-Olympic activity, the diversity of Georgia's economy is the key to its success. With manufacturing, especially in the motor car and housing sectors, a broad array of business and financial services and a hefty dose of wholesale, retail and distribution, the state has been able to coast gently over national economic downturns and soar with the upturns.

Last year, while the US as a whole registered economic growth of 4 per cent, Georgia recorded vigorous growth of 5.2 per cent.

According to Mr Donald Ratajczak, director of the Economic Forecasting Center of Georgia State University, the state is expected to grow at over 5 per cent this year and next. Unlike many states, Georgia's employment growth is robust, with 154,800 new jobs last year and an estimated gain of another 4 per cent this year and next.

The unemployment rate is projected to be just 4.9 per cent

> Since 1970, over 7,000 companies have relocated to Georgia

for the current year and could fall to 4.7 per cent during the Olympic year of 1996. The state's plentiful job opportunities attract workers from around the region and the country, making it the fourth fastest growing state in the nation and the 11th most populous overall.

Its residents also enjoy an extraordinary spurt of personal income growth. With inflation running at less than 3 per cent, Georgians' personal income growth is projected by Mr Ratajczak to be 7.4 per cent in 1995 and 8.3 per cent in 1996, allowing Georgians to feel flush enough to buy those expensive Olympics tickets and memorabilia.

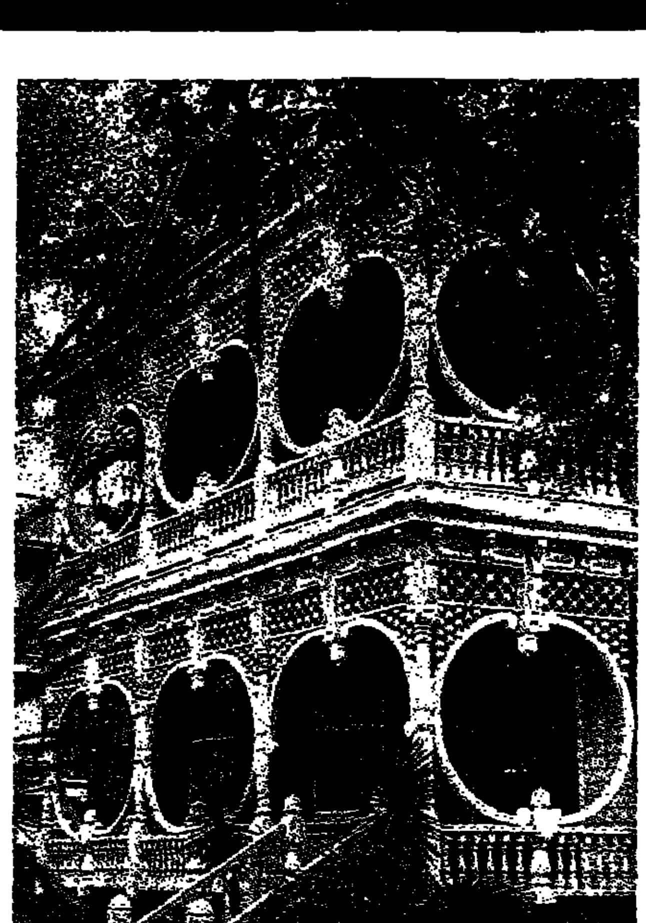
A key reason behind Georgia's enviable economic performance is that it has drawn impressive amounts of investment from other areas of the nation and from abroad. Since 1980, more than 7,000 businesses have chosen Georgia as a new location, while another 6,000 expanded their operations in the state.

Those investment decisions add up to over $115bn, reports the Georgia Department of Industry, Trade and Tourism.

The investment has poured in thanks to excellent transportation and telecommunications, relatively inexpensive labour, a variety of tax and other incentives and one of the more pleasant climates in the US. In particular, Georgia has enjoyed the influx of the motor industry into the southeastern US.

While its immediate neighbours have won some of the biggest investment prizes in auto assembly – Tennessee got Saturn and Nissan, South Carolina took BMW, and Alabama won Mercedes – Georgia has Ford and GM and a plethora of spare parts and component makers.

Between 1980 and 1990, the number of spare motor parts manufacturers mushroomed by 43 per cent, according to the Georgia Department of Industry, Trade and Tourism.



A restored old house in Savannah: the wealth is palpable

Vehicle industry suppliers in Georgia are well situated to supply neighbouring and in-state assembly plants. Georgia's rail, highway and air connections are the best in the region, and Savannah is a leading port for containerised cargo.

Georgia also has a strong housing products industry, including building materials, furniture, and carpet. The recent housing boom in many parts of the US, spurred in part by lower interest rates, has helped boost this industry.

While both the motor and housing sectors are cyclical, Georgia's economic spread in transportation, telecommunications, high technology, tourism and conventions, textiles, and finance, insurance and real estate buoy the state.

Aflac, one of the country's largest insurers, is located in Columbus, Turner Broadcasting Systems, Coca Cola, Bell South and Delta Airlines are in Atlanta, which has the nation's most sophisticated telecommunications infrastructure. Aerospace giants Boeing, McDonnell Douglas and Northrop have plants in Macon.

One flaw in the state's economic complexion, however, is textiles and clothing, an industry which has been undergoing a consolidation and moving many operations offshore to cheap labour areas in Asia and Mexico. More than 20,000 jobs were lost in Georgia's clothing factories between 1984 and last year. The impact from the fall off in textiles has been relatively isolated to small towns and, however painful, it is only a small dent in the state's overall economy.

A far larger crunch is predicted in the 1997 post-Olympic drop in retail, construction and tourism hits. Observers expect Atlanta, Georgia's economic engine, to sputter in 1997, though they hesitate to predict that there will be a recession.

Mr Ratajczak expects that activity will grow very slowly at that time, probably at less than 2 per cent, but he believes that "there is life after the Olympics even if a little pause to catch our breath is necessary".

The Deep South: by Richard Waters

The Cotton Belt strains to keep up with Atlanta

Fast food joints are opening in Douglas and other towns. But the pace of change may slow

On the outskirts of Douglas, a small town perched on the southern edge of the Cotton Belt, fast food restaurants and churches are jostling for space.

A Burger King – and the second McDonald's due to be open soon in the town – are the most visible signs of the economic advances that have crept into this rural area over the past two decades. A cluster of manufacturing plants, many of them drawn from the north east or mid-west by cheap labour and the economic growth of the south east, are spread out along Douglas's perimeter road.

It is, says Mr Tom Smith, a mid-westerner who runs a plant making wire shelving in the town, "an island in the deep South".

Perhaps. But the prospects for economic development in the deep South are beginning to get tougher, and towns such as Douglas may find it hard to sustain the advances they have made in recent years.

Rural counties and small towns throughout the region have climbed on to the economic development bandwagon in recent years, fighting for their share of any investment and jobs that are going. Until recently, Douglas had gone six years without winning a large new plant relocation.

Also, like the rest of the deep South, it faces a constant challenge from the giant economic magnet that is Atlanta – a city which is growing increasingly northward, turning its back on the South.

"The more it grows north, the harder it will get for us down here," says Mr Francis Lott, a local businessman and property developer. Mr Lott's family business, founded on his grandfather's livery business, has done well out of Douglas's economic growth: it includes a carwash, a Burger King, a Popeye's fast food restaurant and 175 apartments, all of them products of the town's expansion.

"Atlanta airport just dominates economic development in this state," Mr Lott says. "The problem for much of rural Georgia is getting access to that airport."

There are rival views about the true effects of Atlanta's growth – and, to a lesser extent, that of other cities – on economic activity in outlying areas of the region.

Mr Thomas Cunningham, a senior economist at the Federal Reserve bank of Atlanta, says that Atlanta's influence as a growing service centre helps to draw manufacturing plants that would not otherwise come to the state. The ripples of that influence are spreading wider, he adds: "The concentric circle is getting bigger – it extends south of Macon now."

Others, though, fear that Atlanta will snatch an ever-larger piece of Georgia's economic pie, leaving its rural areas to stagnate.

Towns such as Douglas have already learnt that they have to fight for their share of investment.

"Twenty years ago, when our children graduated from college, they had to go to Atlanta or Columbus or somewhere to find jobs," says Mr Derward Buchan, Douglas's mayor. "We were losing our children to these cities: we decided to do something about it."

Douglas did two things: it revamped its chamber of commerce and built a manufacturing plant on spec to act as a draw for companies looking for a place to locate a new plant in the South. Says Mr Lott: "There wasn't a crisis – we just weren't going anywhere." He adds: "I don't want to be part of a rural town that's going to die."

In the 20 years since, Douglas has always maintained one part-finished manufacturing plant, ready to catch any passing manufacturer. That approach worked: it is now one of the biggest manufacturers of mobile homes and processors of poultry in the region, and hosts a number of industries based on textiles. A decade ago, in its biggest coup, the town snared the regional distribution centre of Wal-Mart, the giant retailer, a catch that brought with it more than 1,000 jobs.

Like other rural communities in the South, Douglas's foremost advantage has been its cheap and effective labour force. "I've run plants in farm communities before," says Mr Smith. "You tend to get better work ethics." It is a view shared by a wide range companies: a large part of the US automobile manufacturing and parts industry, for instance, has shifted to the rural South.

The lack of unionisation has also helped keep the price of labour cheap. Douglas has only one unionised company – Spectrum Apparel, a clothing company which moved from New Jersey nine years ago and brought its union with it. Average hourly starting wages in Douglas's manufacturing plants are $6, less in industries like poultry processing.

With the North American Free Trade Agreement, opening the access of US industry to Mexico's vast labour pool, could Douglas's reliance on cheap labour leave it – and the rural South as a whole – vulnerable to competition from countries that offer even lower wages?

> For newcomers, Douglas's Bible Belt pressures are less than expected but leisure facilities could be better

Companies like InterMetero say this is not an issue. Labour is relatively small cost input: more important are the high quality standards of manufacturing operations in the area and proximity to large markets, says Mr Smith.

In future, though, Douglas is likely to find itself competing with a wider range of sites when trying to win new investment.

The town is now hungry to stretch its borders. With little more than 10,000 people, it has a narrow tax base to support a growing demand for services. A small official population – which does not take in the suburbs in unincorporated areas – also makes it more difficult to attract the retailers, restaurants and other businesses the city craves.

Douglas wants to annex the land to take its population to 30,000, says Mayor Buchan. To date, though, that ambition has been blocked by local black politicians who fear a shift in the town's racial balance. Blacks make up 45 per cent of Douglas' population, a far higher proportion than in the suburbs or the county as a whole.

If it is to become more than a rural backwater with a highly developed manufacturing base, Douglas, like the rest of the South, will have to grow in other ways, too. Socially, for instance, it can seem a daunting place to an outsider. When he moved to the town, Mr Smith says he worried about being ostracised if he didn't attend church every Sunday. The social pressures of the Bible Belt turned out to be less fierce than he feared.

But it remains in many ways a difficult place to live – hot, humid and insular, with none of the benefits of a growing metropolis. "There are people who come here and don't like it – their spouses go berserk," Mr Smith adds.

Mr Lott agrees: the town offers little for women, he says. It needs better leisure facilities. And, like the property developer and successful town booster he has been for so long, he vows: "We will have better restaurants. We will have more diverse shopping. We will have a bigger movie theatre."

Overseas investors: by Barbara Harrison

Hop, skip and a jump

The Olympics are being used as a powerful magnet to attract more foreign capital

Georgia, largely thought of abroad – if thought of at all – as a backward Southern state, is trying to catapult its image upward using the 1996 Olympics in Atlanta, its capital city.

Last month, the Georgia Department of Industry, Trade and Tourism (GDITT) launched its most ambitious ever marketing campaign to lure investment. In announcing the campaign, Mr Randy Cardoza, commissioner of GDITT, said the Olympic Games offer the state an "unparalleled opportunity to market itself".

Entitled "Georgia Global Now," the $8.5m campaign will include broadcast and print advertisements that tout its attractions and most famous people, places and things.

One of the first of the advertisements features former President Jimmy Carter, a native of the small town Plains, Georgia, and Coca Cola, the drink that was invented in Atlanta, where the eponymous company is based.

Atlanta, the state's best known city, is also using the Olympics to market itself. Its campaign began in 1992, with a four year lead on the sporting event.

Together the state and city hope the Olympics put them prominently on the map and help attract substantial new investment to the state.

Mr Mason Cargill, an attorney at the Atlanta office of the law firm Jones, Day, Reavis and Pogue, says "it should resolve our identity problem".

Many people, he recalls with some chagrin, have confused Atlanta with New Jersey's gaming town, Atlantic City, and ask "how many casinos do you have?"

But Georgia and particularly Atlanta are no longer a secret among investors. The state has more foreign investment than any other in the US southeast. According to a 1995 study of foreign investment in the southeast by KPMG Peat Marwick, the investment consulting firm, Georgia had 740 companies that were at least 50 per cent foreign owned, more than double the number in Florida, the next most popular site for foreign investors, which had just 350.

A 1994 KPMG survey of inward investment in Georgia found that foreign companies had capital investment of more than $10bn. During 1994 alone, $877m was invested, more than in any other southeastern state, and another $867m is anticipated in 1995. Georgia's foreign investors also accounted for a total of 88,164 jobs and sales of $31bn, according to the survey.

Since 1980, including both US and foreign investors, approximately 7,000 companies have chosen Georgia as a new location and another 6,000 have expanded their operations there. These investment decisions represent $115bn, according to the GDITT.

International services in Atlanta include 27 foreign banks, 14 full-time consulates and representative offices of another 26 countries. In addition, the leading American regional banks include Nationsbank, First Union, Wachovia and SunTrust.

Law firms such as Jones, Day, with nine offices abroad, and smaller firms such as Sutherland, Asbill & Brennan or Kilpatrick & Cody, all handle foreign investment. The GDITT and the Atlanta Chamber of Commerce also offer relocation information and advice.

Although investors have concerns about the quality of labour and education in the state, the three leading reasons why foreign companies have chosen Georgia are: proximity to a key industry, market and suppliers; air transportation; and regional economic growth, according to the KPMG survey of the state.

Georgia is the key sales and distribution point for the whole of the southeast, whose economic growth has outpaced the nation's for the last decade. Consequently, it is no surprise that most of the foreign owned companies in Georgia are for sales and distribution.

Investment in 1994 ($m)

State	Investment
Georgia	877
S Carolina	806
Tennessee	715
N Carolina	523
Alabama	352
Florida	321
Mississippi	138
TOTAL	3,732

Source: KPMG

Estimate for 1995 ($m)

State	Investment
S Carolina	959
Georgia	857
Tennessee	676
Alabama	633
N Carolina	624
Florida	275
Mississippi	77
TOTAL	4,111

Source: KPMG

Transportation has long been the state's strong suit. It boasts the largest and best maintained highway system in the southeast, and 80 per cent of the US population is accessible within two hours flying time from Hartsfield International Airport in Atlanta.

Hartsfield, one of the world's busiest airports, is home to Delta Air Lines and, with 12 other foreign carriers, offers non-stop service to 150 cities in the US and around the world.

Some kickback schemes and lavish partying by local officials have tarnished the city's management of Hartsfield, but Atlanta has steadily invested in its airport, which has some of the best passenger and cargo facilities in the US.

A new $300m international terminal can handle 6,000 passengers an hour and makes Hartsfield's passenger terminal the world's largest. Its cargo facility, with more than 1m square feet of cargo handling space, is spawning significant industrial growth around the airport's perimeter.

Tax incentives do not rank very high on the list of reasons why investors choose the state, but Georgia's incentives are competitive. Its corporate tax rate of 6 per cent has not changed since 1969, for example, and it offers a variety of other incentives, including job creation tax credits, enterprise zone tax credits, property tax exemptions and sales tax exemptions on industrial equipment.

Japan, Germany and the UK are the state's biggest foreign investors by country of origin. The Japanese and the Germans tend to prefer greenfield sites, while the British arrive mostly by acquisitions.

Mr Wesley DeVoto, a private consultant in Atlanta who specialises in British investment, believes that Atlanta is already registering higher in British business minds because of the Olympics. He recently has been getting a steady stream of assignments from British companies, including two requests in the last three months to find local Georgia acquisitions for about $10m each.

This follows his assignment with Carolina Builders, a subsidiary of Carolina Holdings, which is wholly owned by Wolseley plc, the UK building materials company. In May, Carolina Builders bought Thomas R. Hopson-Broker, an Atlanta area building supply and distribution company with $130m in sales, for an undisclosed price. The Atlanta company will help increase Carolina Builders' US sales overall to nearly $1bn.

Mr DeVoto notes, however, that there is some concern about a post-Olympic slump. But he and other investment advisers suggest that this is only a tiny cloud in an otherwise perfectly blue sky.

Phones, media and deregulation: by Richard Waters

Telecoms scramble

The fierce battle for Atlanta's TV and telephone markets is being studied nationwide

If you had stopped by the home of Mr John Clendenin recently, you might have caught him installing receiving equipment for a technology that is sweeping America. DirectTV, a satellite broadcasting system, has brought the benefits of multi-channel television and high-quality pictures to hundreds of thousands of homes across the country.

"I put up the antenna myself – it's a great service," the former bomber pilot enthuses.

Mr Clendenin is no ordinary viewer. As chairman of BellSouth, he is also the person charged with leading the regional telephone company's defence of its home turf against a wave of invaders. And as new technologies are introduced and the telecommunications and entertainment industries converge, DirectTV could turn out eventually to be one of his biggest competitors.

Atlanta is set to become one of the first battlegrounds on which the US's interactive future is fought. Mr Clendenin's core market, the local telephone business, will be a key part of that struggle. "Everyone wants in to the telecoms industry," he says.

Besides its sheer size, Atlanta's growth prospects have made it an attractive target for competitors. Like the rest of the nine-state region in which it operates, BellSouth has had this largely to itself until now: the telephone company expects to extend its network with nearly 1m new access lines this year, many of them representing second lines installed in homes.

Other companies want a piece of that growth, and a slice of the $14bn in revenues that BellSouth generated last year from providing local telephone services and access to long-distance carriers.

Competition is already burrowing its way under the streets of Atlanta. Prospective rivals are replacing old networks or building new ones from scratch with the optical fibre capable of carrying the media and telephone services of the future.

Among those leading the attack are US West, a rival regional telephone company, and MCI, one of the US's three long-distance companies. As barriers fall between the US's long-distance and local telephone markets, between them worth more than $150bn a year, such rivalries are likely to multiply.

US West has spent $1.2bn to buy two cable television companies in the metropolitan Atlanta area, along with an alternative access provider (a company which provides cheaper links to long-distance services) and a cable TV advertising company.

The company's local subsidiary, MediaOne, plans to spend another $200m upgrading its network to carry telephone as well as cable TV signals. The work will take three years to complete, though US West says MediaOne will start carrying local calls next year.

As a result, Atlanta could be set for the US's first all-out local telephony battle fought between two regional companies. US West also hopes to get regulatory approval soon to team up with a long-distance carrier, making it possible to offer both local and long-distance calls as a package.

For its part, MCI is chasing the lucrative telephone business of big companies based in Atlanta. The city is one of 14 that has been wired up by a subsidiary, MCImetro, to draw telecommunications business into its long distance network.

The assault on BellSouth's wireless communications business in and around Atlanta, meanwhile, is being led by GTE, which has won the licence to provide PCS services to the area. PCS is potentially cheaper than cellular, though its signals carry over shorter distances.

These are the most visible of what are likely to be a growing line of competitors. Some of them will use technology and offer services which currently exist only in the minds of media visionaries. And they are likely to include the sort of broadband interactive services that are already being put through their paces on BellSouth's own doorstep in Orlando, Florida, by Time Warner.

The US's largest regional telephone company has this year intensified its efforts to prepare for the more competi

Continued on facing page

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■ **The banking sector:** by Richard Waters

Predators eat their fill

Curbing Atlanta's big city banks has weakened the banks of Georgia as a whole

To understand what makes Georgia's banking industry tick, you have to head north up Interstate 85 from Atlanta – all the way, in fact, to Charlotte, North Carolina.

Like the rest of the south east, Georgia has seen most of its indigenous banks swallowed in successive chunks by the financial giants to the north. NationsBank and First Union in Charlotte – along with Wachovia, based in Winston-Salem, North Carolina – now operate three of Georgia's four biggest banks. If some analysts on Wall Street are to be believed, Atlanta-based SunTrust, the fourth, could soon follow suit.

It is not difficult to comprehend why Atlanta, though fast becoming a service centre for the region in other ways, has lost out in the financial services industry.

North Carolina moved early to loosen its banking laws,

> Local pride has been hurt by Georgia's loss of banking control to N. Carolina

allowing banks there to develop state-wide branch systems. The wave of mergers that followed led to the creation of a handful of powerful banks with the experience of running extensive banking networks – attributes that left them well placed when barriers to interestate banking began to tumble a decade ago.

Georgia's legislature, on the other hand, chose not to act. The ban on branching was seen as a way of protecting banks in other parts of the state from the growing power of the Atlanta banks. Even now, banks are allowed to operate in only one county. The result is a banking industry as fragmented as that in Illinois, too weak to take part in the consolidation now underway in US banking.

"Georgia is reaping the rewards of it own lack of vision," says Mr John Georgius, president of First Union, from his office in downtown Charlotte.

NationsBank is now Georgia's biggest bank, thanks in part to its 1991 purchase of C&S/Sovran, a bank that at the time had assets of $50bn. It has been active again this year, agreeing to purchase Atlanta-based Bank South, a small but highly-regarded bank with assets of $7.5bn.

According to Mr Georgius of First Union, Georgia's chance to become the financial services centre for the south east has now been lost for good. "It won't come again in our lifetime," he says. "We're only going through this consolidation phase once – you either acquire or get acquired."

Does any of this matter, either to Atlanta or to Georgia as a whole?

In one sense, the answer is undoubtedly yes. The loss of banking control to Charlotte hurts local pride – in much the same way that the planned takeover of Turner Broadcasting by New York-based Time Warner, agreed this summer, hurts. Both prick local claims to preeminence in an industry, whether banking or entertainment.

From a more practical perspective, the disadvantages are less obvious. The Federal Reserve Bank of Atlanta, whose regional reach does not extend as far North Carolina, says: "It's not a big weakness. The banks owned outside the state generally have their corporate banking units headquartered here."

As the biggest corporate centre for the region, Atlanta has necessarily drawn in corporate bankers as well. Wachovia, for instance, has a number of operations headquartered in Atlanta: its international banking unit, corporate banking operations for the South East, capital markets group and credit card operations. The other out-of-state banks also have a big corporate banking and capital markets presence in the city.

The semblance of a strong Georgia banking industry is also fostered by the legal structure of banking groups throughout the US. Forbidden from opening branches across state lines, except in rare cases, they have been forced to operate through separate single-state bank subsidiaries. While inconvenient and expensive, this has at least allowed banks to project their Georgia banks as separate entities, with their own management and boards with ties to the local business community.

Will all this change with interstate banking? Under Federal legislation passed last year, US banks will soon be allowed to run interstate branch networks. That may lead eventually to greater centralisation, with authority in single-company interstate banks flowing inevitably to the corporate centre.

It is a vision of the future that Georgia's bankers dismiss. Most banks claim to have centralised many systems and other operational functions already, while organising their management around local markets that are not defined by state lines. A different legal structure would make no difference, they say.

"We manage our bank on a market basis," says Mr Gary Thompson, chief executive of Wachovia Bank of Georgia. "Even if you put it all together as one company, it would still have the same basic structure it has today."

In terms of competition, meanwhile, the bank takeovers do not appear to have left Georgia with any greater concentration of banking power than that exhibited by most other US states after the latest round of banking consolidation.

Referring to the takeover of Bank South, Mr Thompson comments: "There were five main competitors. Now there are four." That still provides ample choice, he claims – and, as in other industries, size can be a benefit. "Look at WalMart - people go there for value" rather than because it is headquartered locally, he adds.

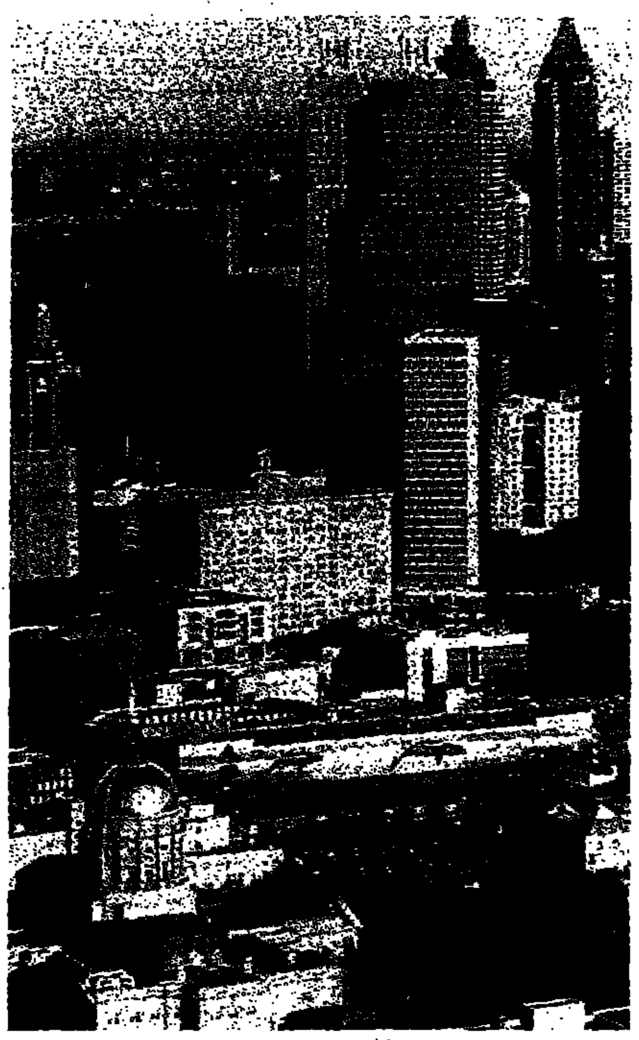
The Atlanta Fed agrees - at least in the context of a big metropolitan area like Atlanta. "It's more a rural concern," says Ms Aruna Srinivasan, a senior economist at the Fed. Some banks, such as NationsBank, "are actually pulling out of [some] rural areas."

For banks based elsewhere in the country which have not had the chance to break into the south east regional banking market, the consolidation in the Georgia and North Carolina banking industries has left few opportunities for entry. Until this year, an agreement between states in the area prevented banks from elsewhere in the US making acqiusitions. The result is that many of the country's biggest banks have been shut out of one of its fastest growing regions.

The south east is set to continue its above-average growth for the foreseeable future, says Mr Bud Baker, chief executive of Wachovia - and "Georgia will grow a little faster than North Carolina over the next 10-15 years".

For outsiders wanting to share in that growth, few options remain. SunTrust is one of the US's more profitable financial institutions, with a share price to match: unless it chose to seek a big merger partner, it is difficult to imagine the bank being manoeuvred into a deal.

For now, that seems unlikely. "We're not simply interested in getting bigger," says Mr Bob Long, chief executive of the group's Georgia bank. SunTrust has held discussions with Wachovia about a merger of equals – a deal Wall Street has been clamouring for. But these were "quiet, not detailed," says Mr Long, and did not lead on to more formal talks. "We both feel we can get along pretty well on our own."



Atlanta, with state house in the foreground: the banks are over-exposed

PROFILE WH Smith Group (USA)

Continental base

"In 1970, Atlanta was a small Southern city with a very big airport," says Mr John Hancock, chief executive of WH Smith Group (USA.)

At that time, the British retailer's American business was not based in the South. But the economic expansion of the region, along with improved transport and communications, brought it to Atlanta 10 years ago. And like many other UK companies, WH Smith arrived as the direct result of an acquisition.

WH Smith operates three businesses in the US. It has 180 music stores in shopping malls across the country, making it the country's fifth biggest music retailer. It operates stores in hotels and airports, and claims to account for 20 per cent of non-food purchases in US airports. And it is experimenting in Boston and other locations with a book store, Waterstones.

Besides the ease with which he can travel around this far-flung operation, Mr Hancock lists a number of benefits from being based in Altanta:

- "Costs are bang on the average, not 30 per cent above, like New York or Washington," he says.
- The city is based in the eastern time zone, giving it more overlap with the European working day than cities based further West.
- It has proved relatively easy to attract staff to Atlanta. "It's seen as a good place to relocate to by American executives," says Mr Hancock.
- The large number of foreign companies already based in the metropolitan Atlanta area also brings the comfort of not being the only stranger in a strange land, and provides a support network of like-minded nationals. "If we were in Phoenix, Arizona, we might be the only British company there," Mr Hancock says.

However, despite some improvements in recent years, Atlanta does not offer the sort of cultural diversity and delights of a northern city like New York.

Mr Hancock also notes one of the differences about the city that most affects European sensibilities: this is a car town, where the automobile dominates. Through the development of edge cities, its economic growth is being transformed into a geographic sprawl. Like Houston or Los Angeles, there are no geographic obstacles to prevent the spread of the city, adding to the sense of isolation.

And what about the weather? If not for the spread of air-conditioning from the 1960s onwards, Georgia would have difficulty drawing in businesses from states to the north or from abroad. "I expect we'd be the economic backwater of the nation if it wasn't for air-conditioning," says Mr Jeff Humphreys, a professor of economics at the University of Georgia. "We'd be an agricultural economy."

For most of the year, says WH Smith's Mr Hancock, "the climate is very good – all you have to put up with is July and August."

Richard Waters

Scrambling for telecoms

Continued from facing page

tive future – while at the same time planning inroads of its own into its rivals' businesses.

BellSouth's defence has been buttressed by two rounds of cost-cutting in the past two years. In 1993, it announced plans to cut 10,200 jobs: this year, it added another 9,000-11,000 to the forecast reduction, to be shed by the end of 1997.

BellSouth also announced a big write-down of its asset values to reflect the more competitive markets it will face. The assumed life of its underground metallic cable, for instance, was cut from 25 years to 12, reflecting the growing pressure to replace old wires.

Moves like these will leave the company better prepared for the fight ahead. Also, with probably the strongest balance sheet of any Baby Bell, and operating cashflow last year of $7.3bn, BellSouth will have greater financial flexibility than many of its rivals to invest in new technology and services of its own.

The company has been criticised frequently for its cautious approach to developing new technologies – something that Mr Clendenin roundly rejects. He points to the frenzy two years ago over the coming of the so-called "information superhighway" as an example of how expectations can get out of hand.

"The level of hype got absolutely insane," says the BellSouth chairman. "We were never convinced the economics had been thought through."

The Baby Bell is nevertheless pushing ahead with its own trial of an interactive television service, which is due to begin in an Atlanta suburb early next year. And it has formed a joint venture with Walt Disney to provide it with programming to help feed its future entertainment services (its earlier plan to invest $500m in QVC, a home shopping channel, was scrapped after that company failed in a bid to buy the entertainment giant Viacom.)

Despite his caution about PCS, Mr Clendenin has also bought two PCS licences to plug gaps in BellSouth's regional cellular business. This broader range of technologies and services is intended to help keep the intruders at bay by cementing BellSouth's relationship with its existing customers. "We have a strong brand name in the south east, and we're going to make it work harder," he says.

High drama in Gone with the Wind: Georgians know all about risk calculation

■ **Profile of Aflac insurance company:** by Richard Waters

Policies to reassure the Japanese

One of the top insurance companies in Japan was created by a family from the American South

On the outskirts of Columbus, a city whose situation on the Chattahoochee River once made it a thriving textiles centre, sits one of Japan's most successful insurance companies.

It was that country's sixth most profitable life insurer last year, with pre-tax income of Y30bn, thanks in part to a handful of specialised products and an entrenched distribution system that no other company can rival.

Apart from Nippon Life, Sumitomo and Dai-Ichi, it has more policies in place than any other Japanese insurer. It is also that most un-Japanese of financial institutions: an American company built on the enterprise of a family from the American South.

Aflac (the name was abbreviated from American Family Life Assurance Company) elbowed its way into the heart of the Japanese financial establishment years before its bigger US rivals began to complain about the barriers that keep them out.

Mr Daniel Amos, the company's chief executive and the nephew of the company's founder, offers a deceptively simple explanation for this success. "We offered a product that people wanted and needed, and didn't compete directly with the major insurance companies," he says.

Like many ventures of its kind, this one relied on a good idea, a lot of determination and a little luck. The idea occurred to Mr John Amos, the present chief executive's uncle, while on a trip to Japan in 1970. In the Japanese he discovered a fear of cancer that far outstripped that of most Americans. The result: a supplemental insurance policy, sold as an add-on to a existing insurance, to cover cancer treatment.

Supplemental insurance – Aflac sells nothing else – is designed to meet the expenses that insurers are increasingly requiring their customers to pay towards their medical costs. In Japan, the company says, cancer patients may be required to pay anything from Y40,000-Y160,000 a day out of their own pockets.

It took four years before Aflac could get a licence to open a company in Japan. Once there, though, it was granted an eight-year monopoly to sell its policies.

The company also created a powerful distribution system that could provide the platform for solid growth in the future. Aflac's policies are sold through agencies run inside many of Japan's biggest companies (an arrangement that would be illegal in the US.) The agencies sell policies to their companies' employees, or to employees of other companies to which they are loosely associated.

Through a sales system that has put it in contact with a large proportion of Japanese workers, Aflac has built up an enviable book of continuing business. "People are slow to buy: but when they sign a contract, they become long-term customers," says Mr Amos. Of new policy holders signed up in the US, 30 per cent lapse within the first year: in Japan, only 8 per cent drop out.

Japan's economic woes have not noticeably slowed the company's sales growth. However, the country's low interest rates have made it difficult to earn the sort of in investment returns assumed in the financial models Aflac uses to price its products. "There's a scarcity of investment instruments that meet our needs," says Mr Norman Foster, head of corporate finance. Aflac needs securities with a long duration and an annualised return of 4.5 per cent. Privately issued corporate bonds denominated in Euroyen have filled the gap to some extent.

Another hazard has been the strength of the yen. Buoyed by the soaring Japanese currency, the company's earnings when translated into the US dollar have looked even stronger: a slide in the Japanese currency, though, will wipe some of the shine from its reported numbers, whatever the real state of the business.

Aflac is now trying to push a wider range of products through its Japanese system, while building a stronger brand and broader distribution in the US.

It has an undoubted expertise in the development of supplemental insurance policies. The cost of reinforcing its US sales system, though, could prove taxing. And the company has a long way to go to match its success on the other side of the world: operating earnings in the US last year were $90m, compared with $471m in Japan.

With an existing base of mainly small employers as customers in the US, Aflac is trying to create a market for its policies among bigger companies. That has meant shifting the focus of its distribution from individual agents to large broker groups, and to the health maintenance organisations that are coming increasingly to dominate the US healthcare market. It has also meant an expanding marketing budget, geared to national advertising and sponsorship of local sports teams, as the company seeks to build its brand outside its home in the south east.

Mr Amos says his strategy for growth is built on a simple principle. The company plans to improve its policies continually, adding additional benefits, without raising its premiums. It then relies on its ability to cut expenses and achieve a higher renewal rate to make up for the higher loss ratio it suffers.

■ **Lottery funds for education:** by Barbara Harrison

Loading the dice

Georgia has an unusual but effective way of boosting its education levels

For each of the last 10 years that KPMG Peat Marwick has conducted a survey of inward investment in Georgia, the top local issues of concern have been the quality of the labour and the education of employees.

The concern is shared by US investors. A recent survey of 248 technology companies conducted by Coopers & Lybrand found that executives were virtually split on whether the state offered them a sufficient pool of high quality technical workers. Notably, they had few reservations about Georgia's universities.

It was the primary and secondary education which they found deficient. Mr Barry Bozeman, director of the Georgia Institute of Technology's School of Public Policy, which took part in the Coopers study, said that while advanced level technical employees were available, technicians at the middle and lower levels, on whom the execution of many jobs relies, were the problem. "There is a gap there," he said.

A few years ago, Georgia set out to remedy the most conspicuous flaw in its otherwise attractive business climate. Its solution was to institute a lottery and dedicate the proceeds to education. This was a key proposal in the first gubernatorial candidacy of Mr Zell Miller, who was re-elected last year to a second term as Georgia Governor – one of the few major Democratic victories in a year of rampant US Republican fervour.

Mr Miller's idea, which won a slender margin of approval from voters in a referendum, was to better the traditionally under-funded education system without raising taxes to gain greater revenues. At the same time, unlike some states that also instituted lotteries supposedly for the benefit of education, Georgia set a rule that the lottery money could not replace the state's own budgetary support for education.

While it is far too early to know whether additional educational spending will directly result in a higher quality workforce, it is generally assumed that in time it will. Mr Bozeman said: "It's one of the best investments a state can make. If you're talking about improving the business climate, there's nothing better."

It is clear that since the lottery was launched in June 1993 it has been a rave success and has generated considerable sums for educational spending.

The Georgia lottery holds the record for the most successful launch ever. In its first year, it set a new high mark for per capita sales of $164.81, surpassing the previous mark of $128 set by Florida in 1988.

In its first full year of operation, the Georgia lottery had $1.13 bn in sales, and while many lotteries flag during the second year, presumably after the novelty wears off, Georgia's lottery sales grew to $1.4bn.

Even more unusual is that this year, lottery sales in the first quarter were $26m ahead of last year, according to Ms Rebecca Paul, the president of the Georgia Lottery Corporation.

Ms Paul, a renowned lottery professional, who launched the highly successful Florida game and who had also previously boosted the fortunes of the Illinois lottery, says that skilled and experienced management can make the difference between lotteries that continue to increase their sales and those that do not: "It's a consumer product and we market it well."

She says that the criticism of lotteries as a regressive tax is out of date and argues that the social and economic profile of today's players in large jackpot games is a true mix. "Dentists and doctors win, and truck drivers and janitors win," she said. "I feel very, very good about how the profits are being spent in Georgia."

In its first two years, the lottery has cumulatively generated $863m for education. The breakdown of the lottery's proceeds is fixed as follows: 50 per cent must be returned to players as winnings; at least 35 per cent must go to education; no more than 10 per cent to operating costs: and 5 per cent to lottery retailers as commissions.

Gov. Miller divided the educational spending into three main areas. The first is a university scholarship programme called HOPE, or Helping Outstanding Pupils Educationally, which pays full tuition and certain other costs for attending a publicly-funded university in the state. It also assists students at private universities within the state for up to $2,500 a year. More than 100,000 Georgia high school graduates received $85m in scholarships last year and another $120m in scholarships is expected to be given out this year.

The scholarships are made available to students who attain a 3.0 Grade Point Average, or a B during secondary school and continue to do so at university. Economic need is not a qualification.

The second programme funded by the lottery is pre-kindergarten schemes for under-privileged four year-olds. With an injection of $115.3m into this programme, more than 30,000 children attended these pre-kindergartens last year. "This is of the most effective crime-prevention programs we could have," Mr Miller says

Thirdly, the lottery has provided funds to equip schools with modern technology, principally computers, satellite dishes and other media technology. Last year, $135m assisted all 1,845 of Georgia's public schools with purchases of this type.

In addition, and perhaps more directly addressing a labour quality issue, another scholarship programme is available for students at technical schools, where equipment has also been upgraded. In August, when the tallies of the second year's lottery proceeds for education were announced, Mr Miller remarked: "Our children and grandchildren will thank us for realising that quality education is the ticket to leading a productive life." But perhaps the business community will give thanks earlier.

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Big LME copper premiums land funds with huge losses

By Kenneth Gooding, Mining Correspondent

US hedge and commodity funds are suffering huge losses in the copper market because they sold short – sold metal they did not own in the expectation that they could buy later at a lower price and make a profit.

The squeeze on the funds and other speculators who went short of copper reached a peak this week when the premium for for immediate delivery (or "backwardation") on the London Metal Exchange over the three months delivery price reached $220 a tonne.

The cost of borrowing copper for only one day went to $25 a tonne on Wednesday. Yesterday, as metal was made available to the market, the one-day backwardation eased to $11 a tonne and the backwardation between the cash and the three-month prices fell to $175.

Much of Wednesday's sharp increase in the backwardation was associated with options activity. "One trader reported that many who had *not* expected to have their positions called were called and this lead to near panic," said Mr Nick Moore, analyst at stockbroker Ord Minnett.

Analysts suggest that the funds made big profits by selling short as they drove the copper price down from $3,000 a tonne.

They stayed short in the hope that they could force the price to about $2,400. This ploy did not succeed because global copper stocks were very low and mainly held very tightly by organisations that either had commitments to deliver physical metal or were involved in financing schemes.

Rumours swept the LME yesterday morning that the exchange would take emergency action but Mr David King, the chief executive, denied any action to lessen the copper squeeze was planned. He repeated that the LME executive continued to monitor the copper market closely.

Mr Robin Bhar, analyst at Brandeis (Brokers), pointed out that in previous squeezes the LME executive had taken action to limit the backwardation only after the daily premium had reached $40 a tonne. He said: "There is copper out there if the price is right. Maybe it takes a backwardation of $200 to bring it to the LME."

Mr Bhar suggested that the turmoil in the copper market might persist to the end of this year or even longer.

Other analysts were not so sure. Mr Lawrence Eagles, analyst at commodity brokers GNI, said: "This type of move is not likely to last for long, primarily because the LME has often acted or at least threatened action in such circumstances and, secondly, because at these prices anyone with spare metal will be tempted to deliver. We would expect some hefty increases [in LME stocks] reported today and on Tuesday. This will be a true test of how over-supplied the market actually is and a move of stocks above 200,000 tonne level may catch a few eyes".

Late entries join the race for Bolivian tin

Sally Bowen on a flurry of interest that has delayed 'capitalisation' of the Vinto smelter complex

A last-minute flurry of interest has delayed *the capitalisation of* Bolivia's state-owned Vinto smelter complex. Potential bidders were officially to have presented their credentials last Friday for initial assessment. Short-listed companies will be invited to bid for 50 per cent of the holding.

"There has been genuine additional interest in Vinto," said Mr Luis Arnal, general manager of Comibol, Bolivia's state mining concern. According to Mr Arnal, Mexican and Malaysian investors have joined more than half-a-dozen mining companies already expressing interest in becoming a "strategic partner" of the Bolivian people through the innovative capitalisation process.

Capitalisation is Bolivia's home-grown alternative to privatisation. Instead of straight sell-offs, investors inject fresh capital in return for 50 per cent controlling stakes in the companies, and management control. The remaining 50 per cent will eventually be distributed among all adult Bolivians through a private pension fund system.

The mechanism appears to hold out Vinto's best prospect in 15 years for expansion. Prior to the mid-1980s price crash that caused the collapse of the Bolivian tin mining industry, *Vinto was producing almost* 20,000 tonnes of metallic tin a year: export earnings peaked at $266m in 1981.

Output plummeted to a rock bottom 2,600 tonnes in 1987, from which it has gradually climbed back, thanks to sharp staff reductions (from 2,300 to the current 950) and rationalisation of production. Vinto's monopoly of purchase of concentrates (an intermediate material) produced in Bolivia ended and the state-owned company has now operated under free market conditions for several years.

> Capitalisation is Bolivia's home-grown alternative to privatisation. Instead of straight sell-offs, investors inject fresh capital in return for a 50 per cent controlling stake.

Vinto's 1994 output was over 30,000 tonnes again (the total value of sales topping $84m). The drastically slimmed-down company has been in the black for four years: 1994 profits totalled some $4.5m.

Located close to the mining town of Oruro, some two hours by road south of La Paz, Vinto comprises both tin and antimony smelting facilities dating from the 1970s. Associated with Vinto, *Comibol is offering to* private sector investors its only two major functioning tin mines, Huanuni and Colquiri. Comibol estimates the three units would give a combined annual cash flow of $33m.

Both mines are located close to Vinto. Huanuni's output topped 2,500 tonnes of concentrates last year while nearby Colquiri produced 1,800 tonnes. Comibol's official prediction is that combined output from these two mines, under private ownership, could rise to between 10,500 and 20,100 tonnes by the end of the century. Both mines also have tailings suitable for treatment. Comibol officials believe Australia's RGC is the best current bet for acquiring the Vinto smelter-and-mines package, although other big companies like Billiton and Glencore have also expressed interest.

This would be good news for Vinto, whose 30,000 tonnes-a-year installed capacity is well in excess of the tin Bolivia produces. *For the past three years,* Vinto has been refining tin under a toll agreement with Peru's Minsur – that produces some 4,500 tonnes of refined tin a year.

Although Minsur is expanding its own smelter capacity in Peru, the toll contract has now been extended to the end of 1996, say Comibol officials.

Included in the Vinto package is an antimony smelter, designed for some 4,000 tonnes annually of metallic antimony and 900 tonnes of antimony as trioxide. Bolivia is the world's second biggest producer of antimony after China, producing some 7,000 tonnes a year in concentrates.

After many loss-making years and a smelter shut-down, the Bolivian state in 1990 entered a joint venture with Laurel Industries of Houston. The American company provides technical assistance and has an exclusivity contract now stretching to 1998. The antimony operation has been in profit since 1991.

Comibol may find divesting itself of the Karachipampa lead and silver smelter and refinery a harder task. The $147m plant, completed in 1984, has never operated, due both to insufficient supplies of concentrates and questioning of the Kivcet smelting process.

Objections to Kivcet now appear to have been largely overcome. Bolivia's output of lead concentrates, meanwhile, has been rising steadily and could reach 30,000 tonnes by the end of the century, according to mines ministry officials. Karachipampa has capacity to treat 51,000 tonnes of lead-silver concentrates a year.

Comibol will be "flexible" on disposing of Karachipampa. Two mines, San Jose and San Vicente, could be included in the package. Comibol would also like to lease Cerro Rico, the continent's oldest and richest silver mine, to developers but local resistance to tampering with what is effectively viewed as a national monument may frustrate that ambition.

In addition to capitalisation of its operating units, Comibol is continuing to offer its 1m hectares of undeveloped mineral deposits on a lease or joint venture basis. A third tender is scheduled for 13 December.

Whatever the concrete results in coming months, onetime giant Comibol is destined to shrink even further. "By next year we'll be in the history books, with a former labour force of 30,000 reduced to 50," says Mr Arnal.

Oil seen remaining in doldrums

By Robert Corzine

The Organisation of Petroleum Exporting Countries yesterday appealed for stability in world oil markets amid growing speculation that long-term oil prices would remain under downward pressure.

Mr Rilwanu Lukman, Opec's secretary general, said recent appeals by the organisation for production restraint on the part of non-Opec producers ". . . appear to have met with no success".

He told an oil industry conference in London that rising non-Opec production was restricting the ability of Opec members to invest in additional capacity to meet growing world oil demand. He said there could be "a supply crunch some time in the not-too-distant future" unless the issue of non-Opec output was "addressed in a responsible manner." He added that the stability of the oil market was "in the interests of all producers; Opec and non-Opec".

Other speakers, however, were generally downbeat about securing any agreements that would reduce world supplies and raise prices. Mr John Jennings, chairman of Shell Transport and Trading, saw little reason why oil prices should rise substantially above cur*rent levels because of the wide*spread perception that there would be more than adequate supplies for some time.

He predicted that aside from temporary spikes, the benchmark Brent Blend was unlikely to move outside the $12-$18-a-barrel range for the next 10 years. "If anything, I expect them to remain towards the lower end of the range."

Ms Ann-Louise Hittle, an analyst at Cambridge Energy Research Associates in the US, said on present trends Opec would find it hard to expand market share for some years.

She said non-Opec output would easily absorb this year's estimated increase in oil demand of 1m barrels a day, while the outlook for next year was only marginally better, with Opec expected to account *for only a fifth of the estimated* 1m b/d gain in world demand.

Ms Hittle said Opec could expect to achieve only limited *increases* in its market share until the end of the decade, when the present surge in non-Opec production was expected to reach a plateau.

Short supplies push up soyabean prices

By Laurie Morse in Chicago

Soyabean futures prices at the Chicago Board of Trade are showing gains of more than 20 cents per bushel this week as traders begin the difficult process of rationing an unusually short world feedgrains crop. The US maize and soyabean *harvests just completed* have failed to relieve price pressures, as farmers are holding on to their grain in the hope *that prices will go even higher.*

In afternoon trading yesterday soyabean futures for January delivery hit a record high of 690 cents a bushel in Chicago, while December maize futures also hit a landmark 339 cents a bushel. Grain analysts said that futures prices rallied as feedlot operators, grain processors, and exporters bid rural cash grain prices well above the Chicago futures prices in an effort to obtain supplies. "Out in the country we're *seeing* price levels you'd expect to see much later in the year," said Mr Dale Gustafson, a grain analyst with Smith *Barney.*

In its regular October grain supply and use report, the US Department of Agriculture said that short harvests this year would leave the US with only 220m bushels of soyabeans in the bin after all needs were met, and that the maize carryover would also be slim. Some traders are now expecting those figures to be revised even lower in the updated report the agency is scheduled to publish next week.

Even without a revision, analysts agree that grain prices will have to go higher to ensure that low stocks will last *though to the next harvest.*

The soyabean price rally has outpaced maize this week, traders say, because a sharp rise in maize prices in the past month had made soyabean meal, another animal feed, "cheap" in relation to maize.

"With corn [maize] and wheat pretty expensive, soyabeans had to catch up," Mr Joe Victor, a market analyst with Allendale, an agricultural consulting firm, said yesterday.

US farmers are expected substantially to expand maize and soyabean plantings next season in response to higher prices. However, analysts say *that Brazil, which is in the pro*cess of seeding soyabeans now, may curtail plantings because of serious agricultural debt problems.

French ordered to pay back pig aid

By Deborah Hargreaves

The European Commission has ordered French pig producers to repay £210,000 in illegal state aids, following complaints from the UK and other member countries that they were distorting competition.

The commission has told France to abolish concessions under its Stabiporc scheme, which gave guarantees enabling pig producers to *obtain low-interest loans.*

Britain's National Farmers' Union partly blamed the state aids for a collapse in pork prices in 1993.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1698.5-99.5	1733-34
Previous	1648.5-9.5	1686-87
High/low	1712/1672	1747/1707
AM Official	1690-90.5	1723-23.5
Kerb close		1729-30
Open int.	227,078	
Total daily turnover	72,043	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1450-60	1490-95
Previous	1385-95	1430-39
High/low		1490/1460
AM Official	1420-30	1460-75
Kerb close		1470-80
Open int.	2,981	
Total daily turnover	1,433	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	710-11	703-4
Previous	691-93	683.5-4.0
High/low	704	704/693
AM Official	703-4	696-97
Kerb close		700-1
Open int.	33,711	
Total daily turnover	8,101	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	8880-90	8950-90
Previous	8660-70	8780-85
High/low	8945/8940	9125/8960
AM Official	8940-45	9030-40
Kerb close		8970-80
Open int.	44,074	
Total daily turnover	17,775	

■ TIN ($ per tonne)

	Cash	3 mths
Close	6510-20	6515-20
Previous	6400-10	6430-40
High/low	6570/6425	6580/6430
AM Official	6530-40	6535-40
Kerb close		6440-50
Open int.	18,566	
Total daily turnover	6,481	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1064-65	1083-84
Previous	1003-4	1026-27
High/low	1045.5/44.5	1093/1056
AM Official	1045-46	1066-66.5
Kerb close		1082-3
Open int.	82,409	
Total daily turnover	29,865	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2995-3000	2822-23
Previous	2828-33	2705-6
High/low		2835/2768
AM Official	2960-65	2805-6
Kerb close		2815-16
Open int.	184,072	
Total daily turnover	111,696	

■ LME AM Official £/$ rate: 1.5803
LME Closing £/$ rate: 1.5805

Spot: 1.5815 3 mths: 1.5787 6 mths: 1.5746 9 mths: 1.5703

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	135.10	+2.45	135.10	132.90	258	1,535
Dec	132.50	+3.65	132.60	128.60	13,768	20,789
Jan	130.55	+3.40	130.30	129.10	25	716
Feb	128.90	+3.35	129.00	129.00	46	493
Mar	127.00	+3.35	127.40	123.65	1,369	7,405
Apr	125.55	+3.15	-	-	15	162
Total					16,087	38,544

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	382.20-382.60		
Opening	382.10-382.50		
Morning fix	382.20	241.748	437.619
Afternoon fix	382.05	241.574	435.728
Day's High	382.30-382.70		
Day's Low	381.90-382.30		
Previous close	382.00-382.50		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.76	6 months	3.59
2 months	3.51	12 months	3.60
3 months	3.52		

Silver Fix	p/troy oz.	US cts equiv.
Spot	336.10	531.00
3 months	340.70	537.30
6 months	345.30	543.30
1 year	354.95	565.55

Gold Coins	$ price	£ equiv.
Gold Coins	382-384	242-244
Krugerrand		
Maple Leaf	392.75-395.25	
New Sovereign	87-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	382.9	+0.4	-	-	-	-
Dec	384.2	+0.4	384.3	383.4	15,540	105,545
Feb	386.1	+0.3	386.3	385.3	773	26,703
Apr	388.4	+0.2	388.4	388.0	822	9,427
Jun	390.9	+0.2	390.8	390.8	76	11,077
Aug	393.3	+0.1	394.1	394.1	101	3,108
Total					17,524	193,088

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	408.4	-0.1	409.5	408.0	2,797	20,005
Apr	407.9	-0.4	408.5	407.0	420	2,366
Jul	408.4	-0.4	408.5	408.5	6	1,696
Oct	409.6	-0.4	410.5	410.5	1	137
Jan	409.5	-0.4	-	-	1	5
Total					3,227	24,209

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	138.40	-1.55	139.00	135.10	893	4,510
Mar	137.50	-1.80	139.00	137.50	80	1,660
Jun	138.85	-1.80	-	-	-	125
Total					973	6,295

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	534.0	+2.3	536.0	526.5	12,317	62,289
Jan	535.7	+2.3	534.5	533.5	1	45
Mar	541.2	+2.4	543.0	534.0	981	16,184
May	545.3	+2.4	545.5	541.0	54	7,490
Jul	549.4	+2.4	547.5	547.5	48	6,259
Sep	553.7	+2.4	548.5	548.5	125	7,510
Total					13,425	106,889

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	17.97	+0.23	18.00	17.74	48,223	87,935
Jan	17.70	+0.23	17.70	17.47	19,463	59,198
Feb	17.51	+0.18	17.52	17.29	7,685	28,413
Mar	17.40	+0.16	17.41	17.28	2,471	17,345
Apr	17.31	+0.14	17.32	17.27	975	13,246
May	17.22	+0.12	17.24	17.21	2,818	7,637
Total					90,979	324,394

■ CRUDE OIL IPE ($/barrel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	16.71	+0.32	16.71	16.35	18,157	47,869
Jan	16.49	+0.29	16.49	16.17	9,274	55,722
Feb	16.30	+0.21	16.30	16.04	3,473	13,816
Mar	16.13	+0.16	16.13	15.95	2,320	13,048
Apr	16.01	+0.10	16.01	15.87	1,632	6,131
May	15.94	+0.08	15.94	15.84	13	1,557
Total					37,934	N/A

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	51.95	+1.00	52.00	50.90	13,642	42,520
Jan	52.20	+0.90	52.30	51.22	7,794	38,323
Feb	51.80	+0.85	51.80	51.00	3,198	21,273
Mar	50.25	+0.50	50.35	50.00	1,025	7,788
Apr	48.80	+0.45	48.80	48.50	137	4,106
May	47.60	+0.30	47.60	47.45	124	3,421
Total					28,673	138,881

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	154.75	+3.00	155.25	152.25	7,484	28,830
Dec	154.75	+3.25	155.00	152.25	10,226	24,207
Jan	154.75	+3.50	154.75	152.00	4,678	22,060
Feb	153.50	+3.00	153.50	151.75	382	6,581
Mar	152.50	+3.00	152.50	151.25	35	3,577
Apr	150.00	+1.25	150.00	149.75	46	2,135
Total					98,058	23,808

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1.853	+0.004	1.864	1.836	10,198	28,189
Jan	1.885	-	1.907	1.860	3,504	25,825
Feb	1.845	+0.002	1.853	1.835	1,761	14,043
Mar	1.770	-0.001	1.778	1.785	858	10,094
Apr	1.705	-0.005	1.711	1.705	246	6,822
May	1.705	-0.008	1.713	1.705	63	5,980
Total					17,210	129,238

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	51.70	+1.16	51.70	50.55	8,882	24,182
Jan	51.50	+0.94	51.50	50.60	2,849	11,875
Feb	51.70	+0.84	51.70	50.95	670	3,283
Mar	51.60	+0.84	51.65	51.20	245	2,313
Apr	53.88	+0.62	54.10	53.50	167	3,121
May	53.15	-	53.15	53.15	149	1,667
Total					13,729	48,228

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	123.90	+1.15	123.75	122.50	130	417
Jan	125.75	+0.75	125.75	124.95	227	2,310
Mar	127.75	+0.85	127.75	126.90	225	1,757
May	129.80	+0.70	129.30	129.00	193	2,223
Jul	131.70	-	131.70	131.70	-	75
Sep	114.25	+1.25	113.00	113.00	1	21
Total					826	6,804

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	487.00	-11.50	502.50	485.00	11,614	51,574
Mar	491.00	-14.25	509.00	488.00	9,164	37,035
May	462.00	-8.50	472.50	459.00	538	4,208
Jul	417.50	-5.50	425.00	416.00	1,369	14,683
Sep	419.50	-3.50	425.75	419.00	111	2,263
Dec	434.50	+0.50	434.50	432.50	69	779
Total					23,085	110,584

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	336.75	+0.25	339.00	338.25	46,302	188,700
Mar	342.50	+1.00	344.25	341.75	25,526	186,503
May	341.75	+1.25	343.00	341.25	3,596	34,167
Jul	338.25	+1.50	339.50	337.50	5,938	45,081
Sep	298.50	+1.00	299.00	296.75	357	6,884
Dec	282.00	+1.75	283.25	280.00	4,216	20,975
Total					86,025	494,215

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	114.00	+0.85	113.50	113.50	5	85
Jan	117.00	+0.85	117.00	116.25	105	938
Mar	119.00	+0.60	118.75	118.40	19	667
May	120.75	+0.50	120.50	120.25	55	224
Sep	109.50	-	-	-	-	12
Nov	111.50	-	112.00	112.00	-	-
Total					184	1,919

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	683.00	+0.50	690.00	682.50	10,389	12,734
Jan	690.25	-0.75	697.50	689.50	35,926	87,450
Mar	697.50	-1.50	705.00	697.00	8,741	38,484
May	700.25	-2.50	706.75	700.00	1,963	12,274
Jul	700.50	-2.75	707.50	700.00	2,444	13,808
Aug	697.00	-2.00	702.50	696.50	380	581
Total					61,722	179,543

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	26.71	+0.04	26.94	26.62	7,605	33,858
Jan	26.86	+0.08	27.02	26.75	3,168	15,624
Mar	27.07	+0.01	27.28	27.00	1,689	11,083
May	27.24	+0.01	27.37	27.20	545	6,693
Jul	27.35	+0.07	27.55	27.30	1,077	5,188
Aug	27.36	+0.05	27.43	27.30	39	778
Total					14,665	74,699

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	210.9	+0.1	213.5	210.6	10,925	47,123
Jan	211.9	+0.3	214.2	211.6	4,231	19,558
Mar	213.1	+0.6	215.0	212.5	3,970	17,154
May	212.1	+0.3	214.0	211.5	1,031	6,549
Jul	212.0	-	214.5	211.5	1,275	6,470
Aug	210.6	+0.4	214.0	209.8	100	578
Total					21,481	98,857

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	175.0	-	-	-	-	3
Mar	280.0	-	-	-	-	-
Apr	291.5	+2.0	294.5	290.0	89	1,119
May	330.0	-	-	-	-	6
Jun	380.5	-	-	-	-	-
Total					89	1,128

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	1643	+32	1640	1595	41	504
Dec	1645	+30	1645	1595	52	304
Jan	1648	+28	1648	1595	106	1,185
Apr	1640	+25	1640	1600	83	1,146
Jul	1460	+25	1460	1415	10	394
Oct	1600	+20	1600	1580	12	81
Total					365	3,844

	Close	Prev
BFI	1638	1539

FUTURES DATA
All futures data supplied by CMS.

Wool
Prices paid at auctions in the past week showed a further rise. Among the most obvious improvements was the sale of British wool in Bradford. Since the preceding sale two weeks before coincided with the low point immediately preceding recovery, price rises are general and definite, and whereas less than half the offering went to trade buyers last time, at this week's sale there was a complete clearance. Australian wool prices have increased slowly this week, with superfine merinos in the lead. Wool International sold stockpile wool heavily as the market began to revive, and with 62,000 bales sold in two weeks, the quarterly quota will now be reached without difficulty, and without further response from the trade. The Eastern market indicator in Australia ended at 828 cents, up 14 on the week.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	922	+6	922	915	987	19,312
Mar	952	+8	953	945	1,392	33,462
May	969	+8	970	964	391	14,280
Jul	986	+9	986	981	84	4,759
Sep	1004	+8	1004	996	122	23,993
Dec	1020	+10	1015	1014	30	6,158
Total					3,258	113,888

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	1329	+16	1332	1313	3,795	22,918
Mar	1365	+16	1367	1348	2,484	23,238
May	1384	+13	1385	1372	322	8,653
Jul	1404	+13	1400	1400	17	3,497
Sep	1427	+13	-	-	33	7,263
Dec	1453	+13	-	-	90	6,898
Total					6,741	72,582

■ COCOA (ICCO) (SDR's/tonne)

Nov 1	Price	Prev. day
Daily	941.91	950.22

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	2418	+48	2425	2398	181	2,541
Jan	2295	+12	2315	2280	1,268	12,903
Mar	2223	+12	2235	2220	1,886	5,889
May	2161	+12	2170	2155	1,868	2,714
Jul	2110	+15	2110	2110	50	436
Sep	2060	+5	2070	2065	25	270
Total					5,259	24,766

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	123.90	+1.65	124.00	122.75	4,285	14,271
Mar	121.25	+1.45	121.50	120.10	1,168	9,571
May	119.50	+1.50	119.80	119.00	159	2,624
Jul	119.00	+1.30	119.00	119.00	43	550
Sep	119.00	+1.00	-	-	1	315
Dec	119.00	+1.00	-	-	1	61
Total					5,657	27,399

■ COFFEE (ICO) (US cents/pound)

Nov 2	Price	Prev. day
Comp. daily	119.35	119.30
15 day average	120.69	120.56

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Jan	13.25	-	-	-	-	-
Mar	10.90	-	-	-	-	-
May	10.82	-	-	-	-	-
Jul	10.62	-	-	-	-	-
Total					-	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	358.8	+7.5	358.8	353.5	1,336	6,438
Mar	334.5	+1.9	335.0	333.0	792	13,986
May	325.8	+1.9	325.8	325.0	229	4,474
Aug	319.1	+2.3	319.0	317.5	222	2,570
Oct	290.3	+2.1	290.3	289.1	122	2,724
Dec	286.8	+2.3	285.2	285.2	68	765
Total					2,776	31,124

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Mar	10.68	+0.04	10.73	10.62	9,446	75,270
May	10.44	-	10.50	10.43	3,121	20,259
Jul	10.25	-	10.30	10.24	1,009	13,768
Oct	10.19	-0.01	10.25	10.19	518	14,776
Mar	10.14	-0.02	10.21	10.15	240	8,422
May	10.07	-0.02	-	-	-	40
Total					14,334	132,583

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	85.33	-0.50	85.90	84.70	3,983	21,830
Mar	84.28	-0.22	84.85	83.65	1,767	17,821
May	84.50	-0.28	84.75	84.00	370	8,102
Jul	84.35	-0.27	84.60	83.90	155	8,304
Oct	79.90	-0.05	79.90	79.90	38	1,391
Dec	76.80	-0.10	76.90	76.80	149	6,503
Total					6,473	62,786

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	120.80	-0.60	122.25	120.35	397	811
Jan	122.45	-2.75	124.20	121.20	3,321	17,148
Mar	124.55	-1.60	126.00	123.25	398	3,451
May	126.55	-1.65	128.70	126.00	15	1,345
Jul	129.10	-1.70	-	-	4	527
Sep	130.95	-2.15	-	-	52	387
Total					4,191	23,660

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Nov 2	Nov 1	month ago	year ago
2121.4	2107.0	2094.3	2104.2

■ CRB Futures (Base: 1967=100)

Nov 1	Oct 31	month ago	year ago
243.60	242.22	-	-

■ GSCI Spot (Base: 1970=100)

Nov 1	Oct 31	month ago	year ago
183.53	183.12	182.84	180.50

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	68.850	+0.400	69.000	68.500	5,033	31,099
Feb	67.925	+0.300	68.050	67.650	2,629	16,743
Apr	67.950	+0.275	67.725	67.450	1,154	10,416
Jun	63.775	+0.225	63.850	63.600	787	4,623
Aug	62.275	+0.325	62.300	61.975	124	1,971
Oct	63.050	+0.150	63.150	62.925	113	649
Total					9,904	65,572

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Dec	42.350	-0.100	42.700	41.900	7,051	12,434
Feb	46.200	+0.375	46.350	45.425	3,539	8,056
Apr	46.400	+0.500	46.500	45.650	1,274	3,355
Jun	51.925	+0.450	52.150	51.225	631	3,324
Jul	51.850	+0.450	52.100	51.225	82	1,420
Aug	50.875	+0.375	51.000	50.350	86	738
Total					12,707	29,768

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Feb	57.275	-2.000	58.125	57.275	1,956	5,585
Mar	57.550	-1.700	58.200	57.325	161	745
May	58.225	-1.575	59.000	57.800	39	251
Jul	59.950	-1.650	60.100	59.800	48	534
Aug	57.000	-1.700	58.700	56.950	24	70
Total					114	2,487

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Dec	Feb	Dec	Feb
1800	15	54	100	113
1750	30	74	64	84
1700	52	98	37	60
■ COPPER (Grade A) LME	Dec	Feb	Dec	Feb
2900	64	54	84	160
2800	119	93	40	100
2700	194	147	15	56
■ COFFEE LCE	Jan	Mar	Jan	Mar
1650	646	587	-	1
1700	597	542	-	2
1750	548	-	1	3
■ COCOA LCE	Dec	Mar	Dec	Mar
875	50	92	3	15
900	31	74	9	22
925	17	59	20	32
■ BRENT CRUDE IPE	Dec	Jan	Dec	Jan
1550	107	107	-	13
1600	60	68	3	29
1650	23	41	11	52

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Dec)

		+or-
Dubai	$15.60-5.70z	+0.22
Brent Blend (dated)	$16.60-6.62	+0.33
Brent Blend (Dec)	$16.58-6.60	+0.33
W.T.I. (1pm est)	$17.90-7.92z	+0.34

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$187-189	+4.5
Gas Oil	$157-158	+3
Heavy Fuel Oil	$94-96	-1
Naphtha	$155-156	+0.5
Jet fuel	$179-180	+3.5
Diesel	$162-163	+3

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

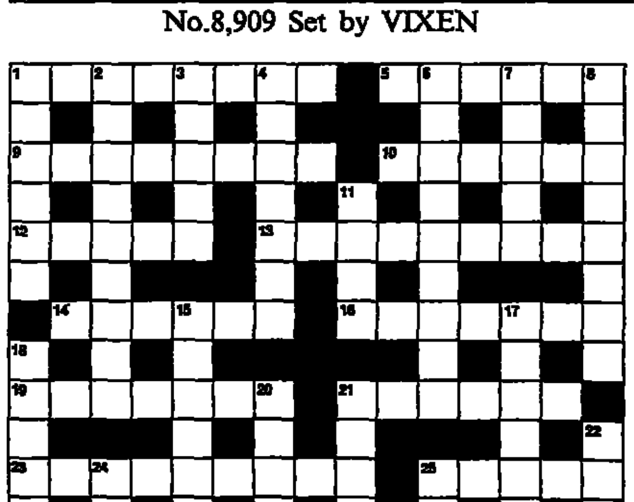
Gold (per troy oz)♣	$382.40	+0.15
Silver (per troy oz)♣	530.5c	-4.00
Platinum (per troy oz.)	$407.75	+2.25
Palladium (per troy oz.)	$135.65	+0.40
Copper	125.0c	
Lead (US prod.)	41.75c	
Tin (Kuala Lumpur)	16.27m	+0.03
Tin (New York)	307.5c	-3.0
Cattle (live weight)†	125.48p	+0.56*
Sheep (live weight)†♠	106.08p	+3.20*
Pigs (live weight)†	98.88p	+1.18*
Lon. day sugar (raw)	$309.8	+1.7
Lon. day sugar (wte)	$361.5	+2.5
Barley (Eng. feed)	£117.5	
Maize (US No3 Yellow)	£105.0w	
Wheat (US Dark North)	Unq	
Rubber (Nov)♥	100.5p	+1.0
Rubber (Dec)♥	100.5p	+1.0
Rubber (KL RSS No1)	379.5m	+0.5
Coconut Oil (Phil)§	$747.5u	+12.5
Palm Oil (Malay.)§	$622.5	+7.5
Copra (Phil)§	472.0y	
Soyabeans (US)	195.0	+2.0
Cotton Outlook'A' index	89.60c	-0.05
Wooltops (64s Super)	458p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. z Dec. u Nov/Dec.♥ w Nov. y Nov/Dec. ▾ Oct/Dec London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices). * Change on week † Prices are for previous day.

JOTTER PAD

CROSSWORD

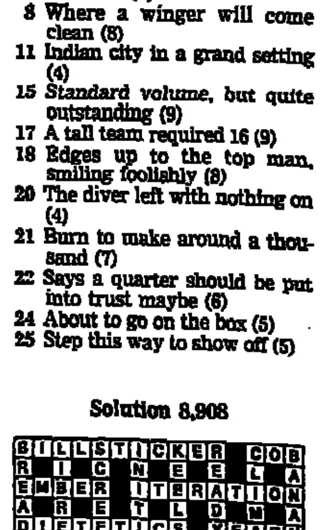
No.8,909 Set by VIXEN



ACROSS
1 The chief could be one (8)
5 A Shakespearean fly-catcher (6)
9 Irresponsible conduct of a dunderhead in flight (8)
10 Try once more (6)
12 A trainee will turn the edge up (5)
13 Unusual thing, wallop, to find in such a place of entertainment! (5-4)
14 Spot a politician in a store (6)
16 A variety of bats are provided for 17 (7)
19 A manual worker returning the French alcohol-free drink (7)
21 Practice, that's what tradesmen want (6)
23 Flavouring agent for cool amber brew (9)
25 A good deal makes sense (5)
26 This high-flier is a cur – really bent (6)
27 Walk taken around one's heavenly garden (8)
28 Not totally environment-friendly back-street addresses (6)
29 Like the British House of Commons, it's beyond compare (8)

DOWN
1 The unctuous fellow in the Civil Service sounds chirpy (6)
2 Welcome no receipt being called for (9)
3 Induce the Spanish to follow a rogue (5)
4 Neat, and possibly rather slow (7)
6 Proposals set to music? (9)
7 A revolutionary device for the traveller (5)
8 Where a winger will come clean (8)
11 Indian city in a grand setting (4)
15 Standard volume, but quite outstanding (9)
17 A tall team required 16 (9)
18 Edges up to the top man, smiling foolishly (8)
20 The diver left with nothing on (4)
21 Burn to make around a thousand (7)
22 Says a quarter should be put into trust maybe (6)
24 About to go on the box (5)
25 Step this way to show off (5)

Solution 8,908



INTERNATIONAL CAPITAL MARKETS

Treasuries rise ahead of employment data

By Lisa Bransten in New York and Richard Lapper in London

US Treasury prices rose in early trading yesterday amid a growing sense on Wall Street that the economy is slowing and optimism that today's employment figures would be weak.

GOVERNMENT BONDS

Near midday, the benchmark 30-year Treasury was $\frac{12}{32}$ higher at $108\frac{7}{32}$ to yield 6.251 per cent, the lowest since the Federal Reserve started lowering rates in February 1994. At the short end of the maturity spectrum, the two-year note was up $\frac{3}{32}$ at $100\frac{7}{32}$, to yield 5.457 per cent.

Economic news out yesterday was mixed. A report from CNW Marketing/Research showed that sales of cars and light trucks fell 6.4 per cent in October due largely to slow sales in the last 10 days of October. Initial claims for unemployment benefits rose by 6,000 to 365,000 last week.

Meanwhile manufacturers' orders rose by a relatively healthy 1.5 per cent in September, but were held below estimates of 1.7 per cent growth by a 0.1 per cent decline in sales on non-durable goods.

Looming over the bond market was the question of whether the Treasury would be able to refinance its debt. Yesterday, Congress had still not agreed to raise the debt ceiling to allow this month's quarterly refunding to go forward.

■ European markets again took their direction from the US, with the strength of the dollar contributing to outperformance by the high-yielding markets. In addition, the French market received a boost when the Bank of France cut the 24-hour lending rate by 40 basis points.

■ The French rate cut provided particular support for shorter-dated paper. The yield curve steepened, with the gap between the two and 10-year benchmarks widening to a maximum of six basis points before closing at 137 basis points after profit taking, up three basis points.

French 10-year bonds outperformed Germany, with the yield spread over bunds falling by five basis points to 81. At Matif, the short-term Pibor futures also rallied strongly, with the December contract closing at 93.93, up 0.28.

The December long-term bond future hit a contract high of 117.50, before falling back to close at 117.44, up more than half a point.

The rate cut also paved the way for a successful auction of 10-year and 30-year OATs.

However, analysts remain sceptical about the ability of the French markets to hold on to these gains. "There could well be a strong risk of buying-the-rumour, selling-the-fact ... if it proves the case that the Bank of France is responding more to political pressures to cut interest rates, rather than to sounder monetary dictates," said Mr David Brown, economist with Bear Stearns International.

■ German bonds were also buoyed by Treasuries, breaking new contract highs before drifting back in the afternoon to close marginally lower. Reporting buying by hedge funds in the five-year area of the curve, analysts said investors had been encouraged by reports of a shift in the policy of IG Metall, the powerful engineering union. The union said on Wednesday that it want to keep wage demands in line with inflation to create jobs.

The German yield curve steepened, with the gap between two and 10-year benchmarks widening by 3 basis points to close at 214, according to Mr Graham McDevitt, bond strategist at Banque Paribas. He believes that with growth rates revised won and the D-Mark strong, there is still further scope for curve-steepening trades.

■ The strength of the lira against the D-Mark helped Italian bonds outperform, in spite of continuing political uncertainty. The 10-year yield spread over bunds narrowed by 15 basis points to close at 535.

■ UK government bonds also gained ground amid evidence of some buying of 10-year gilts by UK institutions. Analysts reported that at least one large fund had sold equities and moved into gilts ahead of the budget later this month.

Mr Simon Briscoe, bond analyst with Nikko, said UK pension funds were under "enormous pressure from their trustees to raise further their investments in gilts". At the end of the second quarter pension funds had an average of 9.7 per cent of their portfolios in gilts, substantially lower than the norm in other bond markets.

At Liffe, the long gilt future gained more than a quarter of a point to close at $107\frac{7}{32}$. In the cash market the 10-year yield spread over German bunds narrowed by six basis points to close at 159.

GdF returns with $400m credit facility

By Antonia Sharpe

Gaz de France, the state gas utility, has returned to the international syndicated loans market for the first time since 1988 and is seeking to raise $400m in the form of a seven-year revolving credit facility.

The margins on the facility, which is being arranged by Chemical Bank and Commerzbank, suggest that pricing has started to stabilise after two years of severe erosion.

GdF's terms are in line with those secured recently by Siemens, the German electronics giant, for its $2bn seven-year deal and by its sister utility Electricité de France earlier.

SYNDICATED LOANS

GdF will be paying a margin of 10 basis points over the London interbank offered rate (Libor) for the first five years of the loan, rising to 12½ basis points for the final two years. The commitment fee is 5 basis points for years 1 to 5, rising to 6 basis points for years 6 and 7. Participation fees are 5 basis points for $40m.

The other big deal this week is the £1.2bn credit facility for Hutchison Telecommunications (HTUK), which runs the UK's Orange mobile phone service. HTUK is believed to be paying a margin of 150 basis points over Libor, falling to 62.5 as revenues grow.

The structure of the non-recourse financing is similar to the deal arranged recently for Mercury One-to-One and for Omnitel Pronto Italia, the international consortium building Italy's second digital mobile phone network.

Omnitel will be paying a higher margin – 175 basis points and falling to 62.5 basis points as cashflow improves.

Gilt-edged market makers tumble

By Conner Middelmann

Anecdotal evidence always indicated that gilt-edged market makers (Gemms) had a tough time in last year's bear market, but their profit and loss accounts for 1994 show the full extent of the damage some of them suffered.

Two US investment banks, Lehman Brothers and Salomon Brothers, managed to post pre-tax profits – £16.6m and £5.6m respectively, from their sterling bond operations. In 1993, Lehman had made a profit of £6.4m while Salomon had posted a loss of £3.2m.

At the other end of the spectrum, Goldman Sachs posted a pre-tax loss of £34.6m, after losing £6.1m the year before. The losses compounded the woes of the US investment bank, which suffered a sharp drop in profits and shed hundreds of employees in 1994.

World bond markets, including gilts, were badly hit last year by the US Federal Reserve's unexpected monetary tightening in February, and kept hitting new lows for most of the year as investors offloaded paper and excess supply weighed on prices.

Selling pressure was particularly intense in the eurobond sector, and Gemms which include sterling eurobond trading in their accounts, such as BZW, the securities arm of Barclays Bank, were especially badly hit. After being the top performer in 1993 with a pre-tax profit of £28.1m, BZW, a leading euro-sterling house, posted a £19.2m loss in 1994. It was hurt particularly by its exposure to sterling bonds issued by Confederation Life, the Canadian insurer which collapsed in August 1994.

HSBC Greenwell made a pre-tax loss of £700,000 after posting profits of £13m in 1993; NatWest Gilts lost £6.4m in 1994 against a profit of £2.6m the year before; and UBS Gilts last year lost £7.4m, compared with pre-tax profits of £8.3m in 1993.

An important caveat is that these figures are notoriously difficult to compare, as Gemms include different types of sterling business in their accounts and have different year-ends – most in December but some in November or March.

Fannie Mae offer helps keep dealers busy

By Conner Middelmann

Primary activity picked up noticeably yesterday, with a flurry of US dollar deals keeping eurobond dealers busy.

A $500m offering of 6.3 per cent global bonds for the US Federal National Mortgage Association (Fannie Mae), launched on Wednesday in New York, was priced yesterday at a spread of 60.8 basis points over the corresponding US Treasury bond. The bonds, which are callable after two years, were spread evenly across the US, Asia and Europe, said an official at Morgan Stanley, joint lead managers with Goldman Sachs.

INTERNATIONAL BONDS

Elsewhere, US West Communications issued $250m of 6⅛ per cent 10-year bonds. The company had prepared the ground well for the issue which saw healthy demand from retail investors in Switzerland and the Benelux countries as well as institutional buying in the UK, according to lead manager Morgan Stanley, who reported some switching out of recent bond issues for Coca-Cola and Wal-Mart into the US West bonds, which offer a sizeable yield pick-up. The bonds were priced to yield 33 basis points over Treasuries at their re-offer price.

In the subordinated bond market, France's Crédit National launched a $350m two-tranche offering, comprising $200m of fixed-rate 10-year bonds yielding an attractive 100 basis points over Treasuries, and $150m of step-up floating-rate notes paying a coupon of 50 basis points over three-month Libor for the first five years and 125 basis points over Libor after the call date in November 2000.

The fixed-rate bonds were aimed mainly at institutional investors while the floater went mainly to banks and money funds, said lead manager Morgan Stanley. Dealers reported switching out of other, recent subordinated bank bonds.

Elsewhere in the floating-rate sector, the Hellenic Republic launched its long-awaited DM700m five-year floater at even tighter-than-expected terms, paying a coupon of three-month libor plus 65 basis points. While lead managers WestLB and Citibank reported German and Far Eastern placement, most dealers found the terms of the deal too tight and speculated that it would take time to place.

● Moody's Investors Service has assigned A3 long-term foreign currency sovereign ceilings to bonds and bank deposits of Israel, as well as Prime-2 short-term foreign currency sovereign ceilings for short-term debt obligations and bank deposits.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Federal Natl.Mtge Assoc.(a)	500	6.30#	100.00R	Nov.2000	0.25R	+60.8(5¾-00)	Goldman Sachs International
Credit National	200	7.00	99.245R	Nov.2005	0.50R	+100(6½%-05)	CSFB/ Morgan Stanley
Crédit National(b)‡	*150*	*(b1)*	*99.79R*	*Nov.2005*	*0.40R*	-	CSFB/ Morgan Stanley
US West Communications	250	6.125	99.80R	Nov.2000	0.30R	+33(5¾%-00)	Morgan Stanley & Co. Intl.
D-MARKS							
Hellenic Republic‡	700	(c)	99.85	Nov.2000	0.30	-	Citibank/ WestLB

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. *Unlisted. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Callable from 13/11/97 at par. b) Callable on coupon dates from Nov.00 at par. b1) 3-mth Libor +50bp to Nov.00 and +125bp thereafter. c) 3-mth Libor +65bp.

Buying spree extended by US mutual funds

By Antonia Sharpe

US mutual funds continued to be strong buyers of domestic equities in September, with net subscriptions reaching $13.2bn, the highest level since December 1993, according to monthly mutual fund flow data compiled by J. P. Morgan.

However, flows into technology funds slowed dramatically during the month and weekly October data show the first signs of net selling.

Net purchases of fixed-income funds in the UK rose to their highest level in over a year as a result of the introduction of corporate bond Peps. Net purchases rose to £105.3m in September from £65.7m in August, helped by the rapid growth of corporate bond Peps accounts which soared to 30,000 in September from 4,000 the month before.

By contrast, net purchases of UK equity funds in September fell to their lowest level this year, at £221m compared with a six-month average of £358m. UK equities now account for 54.2 per cent of the portfolios of UK mutual funds down from 54.8 per cent in August.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		7.500	07/05	92.9300	+0.950	8.59	8.53	8.75
Austria		6.875	06/05	99.9600	+0.250	6.87	6.95	6.93
Belgium		6.500	03/05	97.9300	+1.040	6.80	7.01	7.16
Canada *		8.750	12/05	108.1500	-0.100	7.58	7.83	7.86
Denmark		7.000	12/04	95.3800	+0.280	7.72	7.85	7.96
France	*BTAN*	*7.750*	*04/00*	*105.1250*	*+0.655*	*5.47*	*6.71*	*6.84*
	OAT	7.750	10/05	101.9000	-1.260	7.47	7.43	7.49
Germany Bund		6.500	10/05	100.6200	-0.130	6.41	6.47	6.58
Ireland		6.250	10/04	89.4500	+0.150	7.94	8.10	8.22
Italy		10.500	04/05	94.7000	+0.680	11.43†	11.69	11.50
Japan	No 129	6.400	03/00	119.6320	-0.260	1.59	1.60	1.60
	No 174	4.600	09/04	111.2800	-1.870	2.99	2.78	2.83
Netherlands		7.000	06/05	103.7700	-0.050	6.45	6.53	6.63
Portugal		11.875	02/05	103.7700	+0.200	11.18	11.25	11.29
Spain		10.150	01/06	94.1100	+0.530	10.84	10.91	11.02
Sweden		6.000	02/05	81.1590	+0.570	9.09	9.21	9.72
UK Gilts		8.000	12/00	102-28	+4/32	7.31	7.47	7.57
		8.500	12/05	104-14	+8/32	7.85	8.03	8.01
		9.000	10/08	108-04	+10/32	7.98	8.14	8.10
US Treasury *		6.500	08/05	104-05	+4/32	5.93	6.02	6.26
		6.875	08/25	108-03	-	6.27	6.33	6.60
ECU (French Govt)		*7.500*	*04/05*	*98.9800*	*+0.070*	*7.64*	*7.72*	*7.87*

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	5.42	Two year	5.47
Prime rate	8¾	Two month	5.42	Three year	5.55
Broker loan rate	7½	Three month	5.47	Five year	5.69
Fed funds	5$\frac{11}{16}$	Six month	5.48	10-year	5.94
Fed funds at intervention	-	One year	5.43	30-year	6.27

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000 1

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	117.44	117.44	+0.54	117.60	117.16	188,624	114,346
Mar	116.56	116.72	+0.48	116.76	116.46	2,702	8,119
Jun	116.72	116.90	+0.50	116.90	116.72	279	2,051

■ LONG TERM FRENCH BOND OPTIONS (MATIF) (Oct 31)

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
114	3.45	-	-	0.06	0.53	-
115	-	-	2.97	0.11	0.77	1.10
116	1.60	1.74	2.31	0.23	1.07	1.45
117	0.84	1.21	1.75	0.46	1.53	1.93
118	0.37	0.81	-	0.95	-	-

Est. vol. total, Calls 41,505 Puts 30,001 . Previous day's open int., Calls 134,388 Puts 132,676.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.85	96.84	-0.08	97.04	96.80	116422	199215
Mar	96.33	96.24	-0.08	96.38	96.22	1209	7773

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
9650	*0.65*	*0.58*	*0.79*	*0.98*	*0.31*	*0.84*	*1.05*	*1.22*
9700	0.38	0.39	0.58	0.74	0.54	1.15	1.34	1.50
9750	0.20	0.25	0.42	0.57	0.86	1.51	1.68	1.83

Est. vol. total, Calls 16831 Puts 17536. Previous day's open int., Calls 179370 Puts 160143

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	102.96	102.82	-0.43	103.18	102.74	35004	45776
Mar	102.60	102.41	-0.45	102.60	102.40	589	887

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	CALLS Dec	CALLS Mar	PUTS Dec	PUTS Mar
10250	1.09	2.16	0.77	2.25
10300	0.81	1.92	0.99	2.51
10350	0.61	1.71	1.29	2.80

Est. vol. total, Calls 5736 Puts 3900. Previous day's open int., Calls 47458 Puts 47008

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF) Oct 31

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	89.64	89.53	-	89.75	89.40	57,976	32,070
Mar	-	89.40	-	-	-	-	168

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	107-02	107-14	+0-09	107-20	107-02	51570	104096
Mar	106-24	106-28	+0-09	106-31	106-24	409	795

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	CALLS Dec	CALLS Jan	CALLS Feb	CALLS Mar	PUTS Dec	PUTS Jan	PUTS Feb	PUTS Mar
107	0-63	1-06	1-31	1-48	0-35	1-14	1-39	1-56
108	0-31	0-44	1-03	1-19	1-03	1-52	2-11	2-27
109	0-13	0-25	0-46	0-59	1-49	2-33	2-54	3-09

Est. vol. total, Calls 2486 Puts 2734. Previous day's open int., Calls 34443 Puts 31188

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	87.58	87.48	+0.16	87.64	87.36	1,620	9,209

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	117-17	118-09	+0-25	118-09	117-12	389,904	388,276
Mar	117-02	117-29	+0-24	117-29	117-02	8,420	33,681
Jun	116-26	117-10	+0-20	117-10	116-26	248	5,819

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	121.75			121.85	121.58	2190	0
Mar	120.42			120.48	120.24	501	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Nov 2	Day's change %	Wed Nov 1	Accrued interest	xd adj. ytd		Low coupon yield Nov 2	Low Nov 1	Low Yr. ago	Medium coupon yield Nov 2	Medium Nov 1	Medium Yr. ago	High coupon yield Nov 2	High Nov 1	High Yr. ago
1 Up to 5 years (22)	121.47	+0.09	121.36	1.45	9.72	5 yrs	7.42	7.45	8.61	7.42	7.46	8.65	7.51	7.55	8.62
2 5-15 years (21)	145.84	+0.21	145.53	1.23	11.23	15 yrs	7.99	8.03	8.55	8.04	8.07	8.68	8.11	8.16	8.92
3 Over 15 years (9)	162.19	+0.41	161.53	1.62	11.90	20 yrs	8.04	8.08	8.51	8.07	8.12	8.66	8.14	8.20	8.81
4 Irredeemables (6)	184.06	+1.03	182.18	0.10	13.47	Irred.†	8.13	8.21	8.60						
5 All stocks (58)	141.45	+0.22	141.14	1.39	10.91										

Index-linked							Inflation 5% Nov 2	Nov 1	Yr. ago	Inflation 10% Nov 2	Nov 1	Yr. ago
6 Up to 5 years (1)	193.50	+0.04	193.42	0.17	8.37	Up to 5 yrs	3.22	3.23	4.07	2.10	2.10	2.92
7 Over 5 years (11)	186.10	+0.15	185.82	0.88	4.45	Over 5 yrs	3.67	3.68	3.87	3.47	3.48	3.69
8 All stocks (12)	186.13	+0.15	185.86	0.86	4.54							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Nov 2	Nov 1	Oct 31	Oct 30	Oct 27	Yr ago	High*	Low*
Govt. Secs. (UK)	94.04	93.69	93.47	93.33	93.07	91.45	95.51	90.22
Fixed interest	112.42	112.07	111.66	111.51	111.60	107.62	114.66	106.77

GILT EDGED ACTIVITY INDICES

	Nov 1	Oct 31	Oct 30	Oct 27	Oct 26
Gilt Edged bargains	86.3	87.5	92.5	80.3	98.4
5-day average	89.0	95.1	95.6	97.5	97.1

* for 1995. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94) , low 50.53 (3/1/75) . Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

FT/ISMA INTERNATIONAL BOND SERVICE

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UK GILTS PRICES

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CURRENCIES AND MONEY

MARKETS REPORT

Yen falls back on fears of capital outflows

By Graham Bowley

The Japanese yen weakened on the foreign exchanges yesterday, undermined partly by the threat of capital flows out of Japanese bonds.

The yen's fall triggered a rise in the dollar and most European currencies against the D-Mark. Sterling, the French franc and the Italian lira were among the main beneficiaries of the D-Mark's weakness.

Most European currencies received an early boost after a strong overnight rally in the dollar against the yen and further sharp gains in the US currency in the first part of the European session.

Although much of the dollar's upward momentum evaporated later in the session, with the yen and D-mark regaining some of their losses, dealers said sentiment towards the US currency remained strong, while the yen continued to look vulnerable.

Uncertainty surrounding the negotiations between US president Bill Clinton and the Republican leadership in Congress over the extention of the federal debt ceiling was one of the main drags on the dollar later in the European day, analysts said.

Analysts said the dollar was likely to test the Y104½ to Y105 level in coming sessions, although there would be strong resistance to the dollar moving above this level.

The dollar closed in London at Y103.6, compared with Y103.0250 at the previous finish. Against the D-mark, it finished at DM1.4191, from the previous close of DM1.4164.

■ Speculation that a wave of money freed up as a large number of Japanese bonds matured would flee Japan to seek the higher interest rates offered on European and US assets resurfaced yesterday.

Analysts offered this theory as an explanation for the yen's weakness, pointing to the recent gains made against the Japanese currency by sterling, the Italian lira and Australian dollar as evidence.

Mr Tony Norfield, UK Treasury economist at ABN Amro, said that the outlook for the yen remained bearish. He said that an analysis of the Bank of England's yen trade-weighted index suggests that the currency is set to drop another 3 per cent, which could leave the yen at around Y106 against the dollar.

■ The French franc rallied despite a cut by the Bank of France in its 24-hour interest rate to 6.6 per cent from 7 per cent.

Economists said the cut was larger than expected and reflected growing financial market confidence in the French authorities' policies.

Market confidence has been restored in recent sessions largely by signs of a growing commitment by the French government to cutting public deficits.

But analysts said that further gains in the French franc were unlikely to be sustained. Given the current weak state of the French economy, many analysts think that the government will be forced to cut interest rates soon, which would undermine the franc.

Kleinwort Benson yesterday lowered its forecast of French GDP to 1.8 per cent next year, citing falling business confidence, weaker exports, growing unemployment and an increase in taxes due to take effect next year.

Mr Julian Callow, international economist at Kleinwort Benson, said that the franc has been strong in recent sessions because investors have been attracted to French government bonds by the high yield spread offered over German bunds. But now that the spread has narrowed he thinks this flow of capital into French assets is likely to dry up.

Against the D-Mark, the franc finished higher at FFr3.450 from FFr3.470. The Swedish krona finished at SKr4.684 against the D-Mark, from SKr4.674.

■ The pound managed to hold on to its gains against the D-Mark, closing at DM2.2435 from DM2.2358. Against the dollar, it finished at $1.581 from $1.5785. The sterling trade-weighted exchange rate index closed at 84.5, up from 84.2.

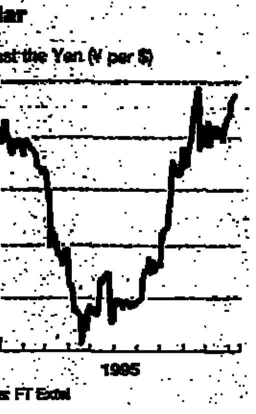
The Bundesbank left its key interest rates unchanged after its regular council meeting.

The Canadian dollar closed in London at C$1.3454 against the US dollar, up from the previous close of C$1.3463.

■ The Bank of England provided £781m assistance towards clearing a forecast money market shortage of around £800m.

Dollar

Against the Yen (¥ per $)



Source: FT Extel

■ **Pound in New York**

Nov 2	Latest	Prev. close
£ spot	1.5810	1.5790
1 mth	1.5799	1.5779
3 mth	1.5779	1.5758
1 yr	1.5858	1.5840

■ **OTHER CURRENCIES**

Nov 2	£	$
Czech Rp	41.5276 - 41.5776	26.2750 - 26.2800
Hungary	208.958 - 209.169	132.210 - 132.260
Iran	4744.50 - 4741.50	3000.00 - 3000.00
Kuwait	0.4746 - 0.4757	0.3003 - 0.3008
Poland	3.8825 - 3.8881	2.4565 - 2.4585
Russia	7116.75 - 7167.57	4500.00 - 4535.00
U.A.E.	5.8044 - 5.8088	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Nov 2		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.7877	+0.0536	786 - 987	15.8237	15.6928	15.7573	2.3	15.6987	2.3	-	-	106.9
Belgium	(BFr)	46.1178	+0.1479	716 - 640	46.2300	45.9380	46.0228	2.5	45.8328	2.5	45.0978	2.2	109.4
Denmark	(DKr)	8.6932	+0.0241	880 - 983	8.7172	8.6712	8.6855	1.1	8.669	1.1	8.6065	1.0	109.9
Finland	(FM)	6.7607	+0.0192	546 - 668	6.7810	6.7230	6.7563	0.8	6.7482	0.7	-	-	87.8
France	(FFr)	7.7419	-0.0157	369 - 468	7.7647	7.7298	7.7489	-1.1	7.7544	-0.6	7.749	-0.1	110.4
Germany	(DM)	2.2435	+0.0077	421 - 449	2.2500	2.2357	2.2384	2.8	2.229	2.6	2.188	2.5	112.1
Greece	(Dr)	369.519	+1.555	268 - 771	371.221	366.297	-	-	-	-	-	-	67.0
Ireland	(I£)	0.9781	+0.0007	771 - 790	0.9790	0.9764	0.9773	1.0	0.976	0.9	0.9728	0.5	97.7
Italy	(L)	2522.72	+6.51	106 - 439	2528.17	2515.02	2529.97	-3.4	2544.87	-3.5	2613.02	-3.6	70.2
Luxembourg	(LFr)	46.1178	+0.1479	716 - 640	46.2300	45.9380	46.0228	2.5	45.8328	2.5	45.0978	2.2	109.4
Netherlands	(Fl)	2.5121	+0.0082	106 - 136	2.5225	2.5021	2.5067	3.1	2.4947	2.8	2.4485	2.5	109.5
Norway	(NKr)	9.8947	+0.0409	876 - 018	9.9155	9.8258	9.8823	1.5	9.8605	1.4	9.785	1.1	98.8
Portugal	(Es)	235.838	+0.073	684 - 991	236.967	235.357	236.378	-2.7	237.598	-3.0	-	-	95.3
Spain	(Pta)	193.685	+0.101	564 - 765	194.075	193.114	194.185	-3.1	195.105	-3.0	199.505	-3.0	81.1
Sweden	(SKr)	10.5088	+0.0616	953 - 178	10.5190	10.4397	10.5088	-0.3	10.5134	-0.3	10.5367	-0.3	86.2
Switzerland	(SFr)	1.8072	+0.0088	059 - 084	1.8131	1.7987	1.8001	4.7	1.7882	4.2	1.7353	4.0	116.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	84.5
Ecu	-	1.2216	+0.004	207 - 224	1.2249	1.2171	1.2205	1.1	1.2183	1.1	1.2089	1.0	-
SDR†	-	1.057200	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5808	+0.0024	802 - 813	1.5838	1.5773	-	-	-	-	-	-	-
Brazil	(R$)	1.5213	+0.0024	204 - 222	1.5242	1.5182	-	-	-	-	-	-	-
Canada	(C$)	2.1271	+0.0019	258 - 284	2.1400	2.1223	2.1282	-0.6	2.1302	-0.6	2.134	-0.3	85.0
Mexico	(New Peso)	11.5650	+0.1445	218 - 082	11.6082	11.5218	-	-	-	-	-	-	-
USA	($)	1.5810	+0.0025	805 - 815	1.5844	1.5773	1.5799	0.8	1.578	0.7	1.5678	0.8	93.5
Pacific/Middle East/Africa													
Australia	(A$)	2.0843	+0.0074	829 - 856	2.0857	2.0829	2.0856	-0.7	2.0884	-0.8	2.1032	-0.9	87.4
Hong Kong	(HK$)	12.2243	+0.0193	196 - 289	12.2501	12.1973	12.2208	0.3	12.2083	0.5	12.1747	0.4	-
India	(Rs)	54.4260	-0.0323	902 - 618	54.7500	53.7320	-	-	-	-	-	-	-
Israel	(Shk)	4.7594	+0.0021	541 - 647	4.7989	4.7481	-	-	-	-	-	-	-
Japan	(Y)	163.792	+1.167	661 - 923	164.110	162.940	162.877	6.7	161.267	6.2	154.342	5.8	136.4
Malaysia	(M$)	4.0221	+0.0048	200 - 241	4.0336	4.0157	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4073	-0.0014	056 - 090	2.4116	2.4056	2.4133	-3.0	2.4225	-2.5	2.4481	-1.7	101.5
Philippines	(Peso)	41.2009	+0.1441	246 - 772	41.2772	41.1246	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9296	+0.0094	273 - 319	5.9421	5.9160	-	-	-	-	-	-	-
Singapore	(S$)	2.2379	+0.0027	364 - 394	2.2443	2.2332	-	-	-	-	-	-	-
South Africa	(R)	5.7626	+0.0064	598 - 658	5.7770	5.7527	-	-	-	-	-	-	-
South Korea	(Won)	1217.29	+8.08	683 - 776	1219.88	1208.75	-	-	-	-	-	-	-
Taiwan	(T$)	42.9724	+0.225	453 - 994	43.0513	42.7383	-	-	-	-	-	-	-
Thailand	(Bt)	39.9124	+0.1342	918 - 329	39.7990	39.9900	-	-	-	-	-	-	-

† Rates for Nov 1. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Nov 2		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan Index
Europe													
Austria	(Sch)	9.9859	+0.0182	820 - 897	10.0150	9.9710	9.9708	1.8	9.9407	1.8	9.8314	1.5	107.1
Belgium	(BFr)	29.1700	+0.0475	500 - 900	29.2670	29.1250	29.129	1.7	29.05	1.6	28.75	1.4	109.2
Denmark	(DKr)	5.4985	+0.0085	970 - 000	5.5170	5.4875	5.4992	-0.2	5.495	0.3	5.5045	-0.1	109.2
Finland	(FM)	4.2762	+0.0054	737 - 787	4.2888	4.2573	4.2758	0.1	4.2747	0.1	4.2702	0.1	87.0
France	(FFr)	4.8968	-0.0177	952 - 984	4.9145	4.8875	4.9053	-2.1	4.9153	-1.5	4.9368	-0.8	109.8
Germany	(DM)	1.4191	+0.0027	186 - 195	1.4240	1.4164	1.4169	1.9	1.4125	1.8	1.394	1.8	111.6
Greece	(Dr)	233.725	+0.615	640 - 810	234.950	232.010	235.45	-8.9	238.65	-8.4	252.125	-7.9	68.6
Ireland	(I£)	1.6165	+0.0014	155 - 175	1.6193	1.6130	1.6167	-0.1	1.6168	-0.1	1.6233	-0.4	-
Italy	(L)	1595.65	+1.6	510 - 620	1600.40	1592.60	1602.4	-5.1	1614.45	-4.7	1671.65	-4.8	69.4
Luxembourg	(LFr)	29.1700	+0.0475	500 - 900	29.2670	29.1250	29.129	1.7	29.05	1.6	28.75	1.4	109.2
Netherlands	(Fl)	1.5890	+0.0015	885 - 894	1.5967	1.5863	1.5863	2.0	1.5813	2.0	1.5613	1.7	108.9
Norway	(NKr)	6.2585	+0.016	560 - 610	6.2780	6.2226	6.2547	0.7	6.2485	0.6	6.2385	0.3	98.1
Portugal	(Es)	149.170	-0.19	120 - 220	150.030	148.800	149.635	-3.7	150.645	-4.0	155.27	-4.1	95.3
Spain	(Pta)	122.495	-0.13	470 - 520	122.890	122.280	122.875	-3.7	123.645	-3.8	127.14	-3.8	80.8
Sweden	(SKr)	6.6455	+0.0284	405 - 505	6.6554	6.6107	6.663	-3.2	6.6995	-3.3	6.868	-3.3	85.9
Switzerland	(SFr)	1.1431	+0.0038	426 - 435	1.1480	1.1385	1.1395	3.8	1.1334	3.4	1.1056	3.3	116.1
UK	(£)	1.5810	+0.0025	805 - 815	1.5844	1.5773	1.5799	0.8	1.578	0.7	1.5678	0.8	83.7
Ecu	-	1.2943	-0.0022	938 - 948	1.2965	1.2898	1.2947	-0.4	1.2954	-0.3	1.2977	-0.3	-
SDR†	-	0.66920	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-0.0001	998 - 999	0.9999	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9623	-	620 - 625	0.9625	0.9620	-	-	-	-	-	-	-
Canada	(C$)	1.3454	-0.0009	450 - 458	1.3538	1.3415	1.347	-1.5	1.3501	-1.4	1.3624	-1.3	84.0
Mexico	(New Peso)	7.3150	+0.08	900 - 400	7.3400	7.2900	7.3173	-0.4	7.3205	-0.3	7.3253	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	94.3
Pacific/Middle East/Africa													
Australia	(A$)	1.3182	+0.0026	179 - 187	1.3206	1.3164	1.32	-1.6	1.3236	-1.6	1.3433	-1.9	88.4
Hong Kong	(HK$)	7.7320	-	315 - 325	7.7325	7.7320	7.7336	-0.2	7.7355	-0.2	7.7557	-0.3	-
India	(Rs)	34.4250	-0.075	500 - 000	34.7000	34.0400	34.575	-5.2	34.88	-5.3	36.35	-5.6	-
Israel	(Shk)	3.0104	-0.0034	080 - 128	3.0411	3.0072	-	-	-	-	-	-	-
Japan	(Y)	103.600	+0.575	550 - 650	103.820	103.210	103.105	5.7	102.185	5.5	98.31	5.1	139.4
Malaysia	(M$)	2.5440	-0.001	435 - 445	2.5470	2.5435	2.544	0.0	2.5444	-0.1	2.552	-0.3	-
New Zealand	(NZ$)	1.5225	-0.0033	221 - 232	1.5263	1.5221	1.5266	-3.2	1.5341	-3.0	1.5588	-2.4	-
Philippines	(Peso)	26.0600	+0.05	200 - 000	26.1000	26.0200	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7506	+0.0001	503 - 508	3.7508	3.7502	3.7511	-0.2	3.752	-0.1	3.7551	-0.1	-
Singapore	(S$)	1.4155	-0.0005	150 - 160	1.4178	1.4146	1.4121	2.9	1.4058	2.8	1.381	2.4	-
South Africa	(R)	3.6451	-0.0017	443 - 458	3.6495	3.6443	3.6704	-8.3	3.7204	-8.3	3.9516	-8.4	-
South Korea	(Won)	769.950	+3.9	900 - 000	770.700	768.800	772.95	-4.7	776.45	-3.4	794.95	-3.2	-
Taiwan	(T$)	27.1805	+0.0895	720 - 890	27.1890	27.1550	27.2005	-0.9	27.2405	-0.9	-	-	-
Thailand	(Bt)	25.2450	+0.045	400 - 500	25.2600	25.2100	25.3325	-4.2	24.96	4.2	26.2	-3.8	-

† SDR rate per $ for Nov 1. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Nov 1. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

November 2	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4	4 1/16	4⅛	4 3/16	4 [illegible]	8.00	3.50	-
week ago	3 15/16	4 3/16	4 3/16	4⅛	4 [illegible]	8.00	3.50	-
France	6¾	6 [illegible]	6 [illegible]	6⅝	6 [illegible]	5.00	-	7.00
week ago	7 [illegible]	6 [illegible]	7¼	6 [illegible]	6¾	5.00	-	7.00
Germany	4	4 1/16	4	4	4	5.50	3.50	4.02
week ago	3 15/16	4 1/16	4	4	4	5.50	3.50	4.03
Ireland	5¾	5¾	5 [illegible]	5 [illegible]	6 [illegible]	-	-	6.25
week ago	5¾	5¾	5 [illegible]	6 [illegible]	6 [illegible]	-	-	6.25
Italy	10 [illegible]	10½	10⅝	10 [illegible]	10 [illegible]	-	9.00	10.77
week ago	10 [illegible]	10½	10⅝	10 [illegible]	10 [illegible]	-	9.00	10.77
Netherlands	3¾	3¾	3 [illegible]	3 [illegible]	4	-	3.50	3.70
week ago	3⅝	3¾	3¾	3 [illegible]	4 [illegible]	-	3.50	3.70
Switzerland	2	1⅞	2	2	2	5.00	2.00	-
week ago	1 [illegible]	1⅞	2	2 [illegible]	2 [illegible]	5.00	2.00	-
US	5 [illegible]	5 [illegible]	5⅝	5⅝	5 [illegible]	-	5.25	-
week ago	5¾	5 [illegible]	5⅝	5 [illegible]	5 [illegible]	-	5.25	-
Japan	[illegible]	½	½	[illegible]	[illegible]	-	0.50	-
week ago	½	½	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	5 [illegible]	5 [illegible]	5⅝	5 [illegible]	-	-	-
week ago	-	5 [illegible]	5 [illegible]	5⅝	5 [illegible]	-	-	-
US Dollar CDs	-	5.63	5.59	5.60	5.58	-	-	-
week ago	-	5.63	5.61	5.64	5.68	-	-	-
ECU Linked Ds	-	5 [illegible]	5⅝	5 [illegible]	5 [illegible]	-	-	-
week ago	-	5 [illegible]	5⅝	5 [illegible]	5 [illegible]	-	-	-
SDR Linked Ds	-	3¾	3¾	3 [illegible]	3 [illegible]	-	-	-
week ago	-	3¾	3¾	3 [illegible]	3 [illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Nov 2	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4 3/16 - 4 1/16	4⅜ - 4¼
Danish Krone	5¾ - 5¼	5 [illegible] - 5 [illegible]	5 [illegible] - 5 [illegible]	5¾ - 5 [illegible]	5¾ - 5 [illegible]	5¾ - 5 [illegible]
D-Mark	4⅛ - 4	4 3/16 - 3 15/16	4⅛ - 4	4 1/16 - 3 15/16	4 1/16 - 3 15/16	4 1/16 - 3 15/16
Dutch Guilder	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3 13/16 - 3 [illegible]	3 13/16 - 3 [illegible]	4 1/16 - 3 15/16
French Franc	6¾ - 5⅞	6½ - 6¼	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6⅜ - 6¼	6 [illegible] - 6 [illegible]
Portuguese Esc.	8 [illegible] - 8 [illegible]	8⅞ - 8¾	9 [illegible] - 8 [illegible]	9 [illegible] - 9 [illegible]	9¼ - 9 [illegible]	9½ - 9⅜
Spanish Peseta	9 [illegible] - 9 [illegible]	9 [illegible] - 9 [illegible]	9 [illegible] - 9 [illegible]	9 [illegible] - 9 [illegible]	9⅝ - 9 [illegible]	9¾ - 9⅝
Sterling	6⅝ - 6½	6¾ - 6⅝	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]
Swiss Franc	2 - 1⅞	2 1/16 - 1 15/16	2 - 1⅞	2 1/16 - 1 15/16	2 1/16 - 1 15/16	2 1/16 - 1 15/16
Can. Dollar	6⅛ - 5 [illegible]	6¼ - 6 [illegible]	6⅛ - 5 [illegible]	6 - 5⅞	6⅛ - 6	6 [illegible] - 6 [illegible]
US Dollar	5¾ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5 [illegible] - 5 [illegible]	5¾ - 5⅝	5¾ - 5 [illegible]
Italian Lira	10½ - 10⅛	10 [illegible] - 10 [illegible]	10 [illegible] - 10 [illegible]	10⅝ - 10½	10¾ - 10⅝	10¾ - 10⅝
Yen	½ - [illegible]	½ - [illegible]	[illegible] - ¼	[illegible] - [illegible]	[illegible] - [illegible]	[illegible] - ¼
Asian $Sing	2⅛ - 2	2 [illegible] - 2 [illegible]	2 [illegible] - 2 [illegible]	2 [illegible] - 2 [illegible]	2 [illegible] - 2 [illegible]	3⅛ - 3

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ **THREE MONTH PIBOR FUTURES** (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.91	93.94	+0.29	93.99	93.84	56,564	41,018
Mar	94.39	94.39	+0.15	94.44	94.34	32,788	34,066
Jun	94.55	94.58	+0.10	94.61	94.53	7,031	32,160

■ **THREE MONTH EUROMARK FUTURES** (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	96.00	95.96	-0.04	96.01	95.96	32977	133767
Mar	96.17	96.17	-	96.19	96.15	41018	147089
Jun	96.12	96.12	-	96.15	96.11	27862	128035
Sep	95.97	95.97	-	96.00	95.95	18466	92954

■ **THREE MONTH EUROLIRA FUTURES** (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	89.55	89.56	-0.03	89.61	89.52	10656	26919
Mar	89.92	89.90	-0.04	89.93	89.86	4819	27069
Jun	90.01	90.00	-0.02	90.06	89.97	1289	14819
Sep	90.06	90.04	-0.03	90.09	90.03	175	8022

■ **THREE MONTH EURO SWISS FRANC FUTURES** (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.03	97.93	-0.12	98.03	97.93	9645	20608
Mar	98.12	98.06	-0.08	98.12	98.05	5733	20238
Jun	98.01	98.02	-0.04	98.05	98.01	1191	6784
Sep	97.82	97.84	-0.03	97.84	97.82	66	3451

■ **THREE MONTH ECU FUTURES** (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.45	94.41	-	94.45	94.41	1299	8300
Mar	94.55	94.55	+0.01	94.57	94.54	729	4412
Jun	94.56	94.55	+0.01	94.58	94.54	212	2555
Sep	94.44	94.41	-	94.44	94.37	288	1837

* LIFFE futures also traded on APT

■ **EUROLIRA OPTIONS** (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
8950	0.31	0.78	0.95	0.25	0.38	0.45
8975	0.19	0.62	0.79	0.38	0.47	0.54
9000	0.12	0.49	0.65	0.56	0.59	0.65

Est. vol. total, Calls 400 Puts 625. Previous day's open int., Calls 12768 Puts 6578

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Nov 2		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.85	16.79	4.866	2.121	5471	5.447	21.45	511.3	419.8	22.79	3.918	2.168	4.612	3.428	354.9	2.650
Denmark	(DKr)	53.05	10	8.906	2.581	1.125	2902	2.890	11.38	271.3	222.7	12.09	2.079	1.150	2.447	1.819	188.3	1.406
France	(FFr)	59.57	11.23	10	2.898	1.263	3259	3.245	12.78	304.6	250.1	13.58	2.334	1.292	2.747	2.042	211.4	1.578
Germany	(DM)	20.55	3.874	3.450	1	0.436	1124	1.119	4.410	105.1	86.27	4.684	0.805	0.446	0.948	0.705	72.95	0.545
Ireland	(I£)	47.16	8.889	7.916	2.294	1	2580	2.568	10.12	241.1	198.0	10.75	1.848	1.022	2.175	1.617	167.4	1.249
Italy	(L)	1.828	0.345	0.307	0.089	0.039	100.	0.100	0.392	9.346	7.673	0.417	0.072	0.040	0.084	0.063	6.488	0.048
Netherlands	(Fl)	18.36	3.461	3.082	0.893	0.389	1004	1	3.939	93.87	77.07	4.184	0.719	0.398	0.847	0.629	65.17	0.486
Norway	(NKr)	46.61	8.785	7.824	2.268	0.988	2550	2.539	10	238.3	195.7	10.62	1.826	1.011	2.150	1.598	165.4	1.235
Portugal	(Es)	19.56	3.687	3.283	0.952	0.415	1070	1.065	4.196	100.	82.10	4.457	0.766	0.424	0.902	0.670	69.42	0.518
Spain	(Pta)	23.82	4.490	3.999	1.159	0.505	1303	1.298	5.111	121.8	100.	5.429	0.933	0.517	1.099	0.817	84.56	0.631
Sweden	(SKr)	43.88	8.271	7.366	2.135	0.931	2401	2.390	9.415	224.4	184.2	10	1.719	0.951	2.024	1.504	155.8	1.163
Switzerland	(SFr)	25.52	4.811	4.284	1.242	0.541	1396	1.390	5.476	130.5	107.1	5.816	1	0.553	[illegible]	[illegible]	[illegible]	[illegible]
UK	(£)	46.12	8.693	7.742	2.244	0.978	2523	2.512	9.895	235.8	193.6	10.51	1.807	1	[illegible]	[illegible]	[illegible]	[illegible]
Canada	(C$)	21.68	4.087	3.640	1.055	0.460	1186	1.181	4.652	110.9	91.02	4.941	0.850	0.470	[illegible]	[illegible]	[illegible]	[illegible]
US	($)	29.17	5.498	4.897	1.419	0.619	1596	1.589	6.259	149.1	122.5	6.648	1.143	0.633	[illegible]	[illegible]	[illegible]	[illegible]
Japan	(Y)	28.17	5.310	4.729	1.371	0.597	1541	1.535	6.045	144.0	118.3	6.420	1.104	0.611	[illegible]	[illegible]	[illegible]	[illegible]
Ecu		37.74	7.114	6.336	1.836	0.800	2065	2.056	8.097	193.0	158.4	8.601	1.479	0.818	[illegible]	[illegible]	[illegible]	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ **D-MARK FUTURES** (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7121	0.7056	-0.0020	0.7076	0.7038	21,294	52,262
Mar	0.7124	0.7087	-0.0019	0.7104	0.7078	416	3,855
Jun	0.7120	0.7120	-0.0014	0.7125	0.7115	20	179

■ **SWISS FRANC FUTURES** (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8852	0.8785	-0.0038	0.8820	0.8751	14,771	34,069
Mar	0.8880	0.8864	-0.0041	0.8884	0.8850	163	2,071
Jun	0.8965	0.8965	-	-	-	4	471

■ **JAPANESE YEN FUTURES** (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9870	0.9700	-0.0057	[illegible]	[illegible]	[illegible]	[illegible]
Mar	0.9942	0.9835	-0.0059	[illegible]	[illegible]	[illegible]	[illegible]
Jun	0.9969	0.9962	-0.0059	[illegible]	[illegible]	[illegible]	[illegible]

■ **STERLING FUTURES** (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5778	1.5792	+0.0018	1.5814	1.5756	4,489	36,584
Mar	1.5770	1.5780	+0.0016	1.5790	1.5760	26	225
Jun	-	1.5720	+0.0016	1.5720	-	2	10

UK INTEREST RATES

LONDON MONEY RATES

Nov 2	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅜ - 6	6¾ - 6⅝	6¾ - 6⅝	6 13/16 - 6 11/16	6 13/16 - 6 11/16	6 13/16 - 6 11/16
Sterling CDs	-	-	6 11/16 - 6⅝	6 11/16 - 6⅝	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]
Treasury Bills	-	-	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	-	-
Bank Bills	-	-	6⅝ - 6 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6½	-
Local authority deps.	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6 [illegible]	6 [illegible] - 6⅝	6⅝ - 6½	6¾ - 6⅝
Discount Market deps	7¼ - 6¾	6¾ - 6⅝	-	-	-	-

UK clearing bank base lending rate 6¾ per cent from February 2, 1995

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	3	5¾	5¾	6	6¼

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc. Ave. tender rate of discount 6.5346pc. ECGD fixed rate Stg. Export Finance. Make up day Oct 31, 1995. Agreed rate for period Nov 26, 1995 to Dec 25, 1995, Schemes II & III 8.07pc. Reference rate for period Sep 30, 1995 to Oct 31, 1995, Schemes IV & V 6.811pc. Finance House Base Rate 7pc from November 1, 1995

■ **THREE MONTH STERLING FUTURES** (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.37	93.38	-	93.39	93.35	7034	82983
Mar	93.48	93.50	+0.01	93.52	93.47	18783	71287
Jun	93.46	93.49	+0.02	93.50	93.45	7166	48175
Sep	93.30	93.36	+0.04	93.39	93.30	7043	37238
Dec	93.09	93.16	+0.06	93.16	93.08	2173	25998

Also traded on APT. All Open interest figs. are for previous day.

■ **SHORT STERLING OPTIONS** (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9325	0.18	0.40	0.53	0.05	0.15	0.29
9350	0.05	0.25	0.39	0.17	0.25	0.40
9375	0.01	0.14	0.27	0.38	0.39	0.53

Est. vol. total, Calls 4258 Puts 2150. Previous day's open int., Calls 142190 Puts 140206

EMS EUROPEAN CURRENCY UNIT RATES

Nov 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.15214	2.09951	+0.00075	-2.45	6.17	18
Belgium	39.3960	38.5148	+0.0149	-2.24	5.94	18
Germany	1.91007	1.87321	+0.00095	-1.93	5.61	19
Austria	13.4383	13.1823	+0.0052	-1.91	5.59	14
Denmark	7.28580	7.26497	-0.00181	-0.29	3.91	4
Spain	162.493	162.371	-0.030	-0.08	3.69	5
Portugal	195.792	197.535	+0.145	0.89	2.68	-4
France	6.40608	6.49908	-0.00274	1.45	2.09	-12
Ireland	0.792214	0.820519	-0.000431	3.57	0.00	-24
NON ERM MEMBERS						
Greece	292.867	308.796	+0.346	5.44	-1.77	-
Italy	2106.15	2115.80	-0.32	0.46	3.10	-
UK	0.786652	0.840058	-0.001084	6.79	-3.01	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ **PHILADELPHIA SE £/$ OPTIONS** £31,250 (cents per pound)

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	PUTS Nov	PUTS Dec	PUTS Jan
1.540	3.86	4.04	4.43	0.01	0.27	0.70
1.550	2.86	3.22	3.70	0.02	0.42	0.92
1.560	1.94	2.51	3.03	0.07	0.68	1.30
1.570	1.08	1.88	2.51	0.22	1.04	1.71
1.580	0.45	1.60	1.97	0.61	1.26	2.20
1.590	0.12	1.35	1.54	1.17	1.51	2.71

Previous day's vol., Calls 4,601 Puts 5,566 . Prev. day's open int., Calls 264,128 Puts 279,159

■ **THREE MONTH EURODOLLAR** (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.22	94.29	+0.03	94.29	94.21	[illegible]	[illegible]
Mar	94.60	94.68	-	94.69	94.58	[illegible]	[illegible]
Jun	94.50	94.71	+0.09	94.73	94.60	[illegible]	[illegible]

■ **US TREASURY BILL FUTURES** (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.80	94.81	+0.02	94.82	94.79	3,786	8,864
Mar	95.01	95.13	-	95.13	95.01	850	6,239
Jun	95.07	95.13	+0.06	95.15	95.07	52	388

All Open interest figs. are for previous day

■ **EUROMARK OPTIONS** (LIFFE) DM1m points of 100%

Strike Price	CALLS Nov	CALLS Dec	CALLS Jan	CALLS Mar	PUTS Nov	PUTS Dec	PUTS Jan	PUTS Mar
9575	0.22	0.24	0.44	0.47	0.01	0.03	0.02	0.05
9600	0.02	0.07	0.28	0.28	0.06	0.11	0.06	0.11
9625	0	0.02	0.09	0.14	0.29	0.31	0.17	0.22

Est. vol. total, Calls 7392 Puts 4607. Previous day's open int., Calls 242038 Puts 227440

■ **EURO SWISS FRANC OPTIONS** (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9775	0.24	0.40	0.43	0.05	0.09	0.16
9800	0.06	0.22	0.27	0.12	0.18	0.25
9825	0.02	0.11	0.15	0.34	0.30	0.38

Est. vol. total, Calls 1690 Puts 100. Previous day's open int., Calls 5727 Puts 2175

BASE LENDING RATES

	%		%		%
Adam & Company	6.75	Duncan Lawrie	6.75	* Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	10
Allied Trust Bank	6.75	Exeter Bank Limited	7.75	Royal Bk of Scotland	6.75
AIB Bank	6.75	Financial & Gen Bank	7.50	●Singer & Friedlander	6.75
●Henry Ansbacher	6.75	●Robert Fleming & Co	6.75	●Smith & Williamson Secs.	6.75
Bank of Baroda	6.75	Girobank	6.75	TSB	6.75
Banco Bilbao Vizcaya	6.75	●Guinness Mahon	6.75	United Bank of Kuwait	6.75
Bank of Cyprus	6.75	Habib Bank AG Zurich	6.75	Unity Trust Bank Plc	6.75
Bank of Ireland	6.75	●Hambros Bank	6.75	Western Trust	6.75
Bank of India	6.75	Heritable & Gen Inv Bk	6.75	Whiteaway Laidlaw	6.75
Bank of Scotland	6.75	●Hill Samuel	6.75	Yorkshire Bank	6.75
Barclays Bank	6.75	C. Hoare & Co	6.75		
Brit Bk of Mid East	6.75	Hongkong & Shanghai	6.75		
●Brown Shipley & Co Ltd	6.75	Julian Hodge Bank	6.75		
Citibank NA	6.75	●Leopold Joseph & Sons	6.75		
Clydesdale Bank	6.75	Lloyds Bank	6.75		
The Co-operative Bank	6.75	Meghraj Bank Ltd	6.75		
Coutts & Co	6.75	Midland Bank	6.75		
Credit Lyonnais	6.75	* Mount Banking	6.75		
Cyprus Popular Bank	6.75	NatWestminster	6.75		
		●Rea Brothers	6.75		

● Members of London Investment Banking Association
* In administration

LONDON SHARE SERVICE

BANKS, MERCHANT

Notes	Price	+ or -	1995 high	1995 low	Mkt Cap£m	Yld Gr's	P/E
Barings 9pc Cm 2nd Pf	50½#	----	98	50¼	6.31	19.8	-
Cater Allen	470	----	525	418	193.2	7.7	7.1
Close Bros	316xd	----	348½	216¼	379.5	3.4	♣
Gerrard & Nat	444	+1	480	395	218.7	6.5	14.1
Hambros	201	----	253	180	358.0	4.7	50.7
7½pc Cv Pf	80½	----	112	84	128.2	9.4	-
Joseph (L)	423	----	483	353	22.4	6.2	23.6
King & Shaxson	114	----	145	85	29.3	8.8	8.9
Rea Brothers	45	----	67	44	21.9	2.8	18.0
Schroders	1349	----	1478	905¼	2,823	1.3	19.1
N/V	1108	----	1180	823¼	407.5	1.6	15.8
Singer & Fried	108	----	110	81	208.5	4.4	11.0
8½pc Cv Ln 08/14	£129½	----	£131	£100	39.7	6.6	-
Union	103	-2	121	70	27.4	3.6	-
Wintrust	285	----	285	200	25.1	4.8	16.9

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Cont.

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Cont.

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

Trans Can Pipe.....♥		8 1/16	+1/16	9	7 3/16	1,932	4.7	

SOUTH AFRICANS

	Notes	Price	+ or −	1995 high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£31 1/16	----	£34	£29	2,108	2.6	Φ
Barlow	♣	£8 3/4	−1/8	£8 3/4	£4 1/2	1,638	1.2	30.0
Gold Flds Prop R		150xd	+5	152	118	15.3	6.9	6.9
MK Props		86	----	88	85	3.48	13.5	–
SASOL	♥	540	+6	648	435	3,182	2.5	–
SA Brews		£20 1/4	----	£21 1/4	£12 3/4	5,920	1.7	28.5
Standard Bank	□	£24 1/4	−1/8	£24 1/4	£20 1/4	2,997	1.9	17.0
Tiger Oats		1025	−15	1087	700	1,542	1.4	24.8
Tongaat-Hulett	†h	672	----	672	536	794.7	1.6	26.2

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas Incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- \# Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other [illegible] q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v P/e ratios are calculated under new ACT guidelines. z Dividend yield includes a special payment. E Yield based on [illegible] H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. R Forecast annualised yield, p/e based on prospectus or other [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xf ex capital distribution.

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Pembroke Hall, Pembroke, Bermuda

Prices for dealing November 2

Jupiter Tyndall (Bermuda) Ltd

PO Box HM1258, Hamilton, Bermuda 001 809 292 2780

Newport Investment Management

73 Front Street, Hamilton, Bermuda

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Saranin Funds Mngmt (Guernsey) Ltd

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Schroder Investment Mngmt (Guernsey) Ltd

PO Box 295, St Peter Port, Guernsey 01481 710851

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

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Arab Bank Fund Managers (Guernsey) Ltd

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CIBC Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

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Credis Investment Funds

Merrill Lynch Asset Management - Contd.

Monterey Trust SICAV

Morgan Stanley Sicav

Murray Universal, Sicav

NICAM Asia Pacific Umbrella Fund

Nikko Asia Convertible Bond Fund

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

MANAGED FUNDS NOTES

LONDON STOCK EXCHANGE

MARKET REPORT

Disappointing company news restrains equities

By Steve Thompson,
UK Stock Market Editor

London was the poor relation among the leading European stock markets and, once again, was being buffeted by bad news from the food retailing sector as well as worrying signals from Boots, the high street retailer, and Shell Transport, the oil giant.

But the FT-SE 100 index just managed to end the day in plus territory, with Wall Street once again coming to London's rescue with a very strong opening performance after the latest batch of economic news from the US.

The FT-SE 100 closed a net 4.3 higher at 3,523.0, but the FT-SE Mid 250 was unable to mirror the rally in the senior index, and was under severe pressure all day, prior to ending 1.7 down at 3,886.8.

The substantial underperformance in the Mid 250 reflected the damage wrought by worse than expected interim numbers from Kwik Save, the discount food retailer, whose shares plunged 10 per cent as the group confirmed the market's worst fears that a damaging price war was under way in the sector.

And the Kwik Save news, coming hard on the heels of poor results on Wednesday from J. Sainsbury, caused big falls in other second-line food retailers, such as Iceland and Morrison Supermarkets which fell 6 per cent and 4 per cent respectively.

The tale of woe in the FT-SE 100 was almost entirely confined to the supermarket giants, plus Boots and Shell Transport. The worst performers in the index were, in order of weakness, Asda, Argyll, Sainsbury, Marks and Spencer, Tesco and Shell. Losses in the big four food stocks were worth around 4 index points.

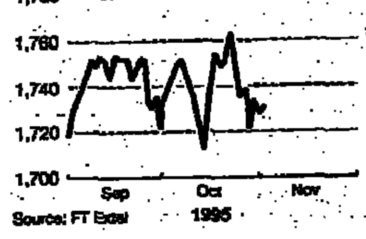
The trading session began with dealers happy to mark share prices higher in the wake of the reasonably good performance by Wall Street and Treasury bonds overnight. The FT-SE 100 was up 17.1 at best, in mid-morning, and still being helped by the continuing hints that bid activity could be just around the corner. The insurance sector was still said to be the prime target area for a predator, with Legal & General continuing to be seen as the favourite to attract bid attention. A good showing by gilts was another positive factor for equities.

But with the weakness in the retailing stocks gnawing away at the market's confidence, it began to lose heart and the FT-SE 100 fell into negative ground over the lunchtime period before embarking on its afternoon rally as US markets opened. The Dow Industrial Average was up 25 points an hour after the opening, although it came off that level later in the session.

News that the Department of Trade and Industry had waved through the North West Water bid for Norweb came after the market closed but dealers expected the remaining recs to make progress at the opening today on the prospect of further regional links with water companies.

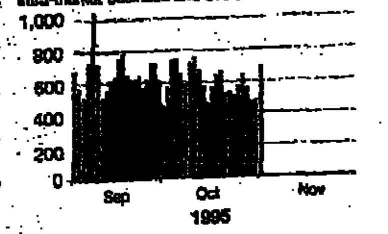
Turnover in equities reached 710.8m shares by 6pm, slightly higher than Wednesday's figure. The food retailers accounted for 81.5m shares, or 11.5 per cent of the total. Customer business on Wednesday was worth £1.69bn, the highest this week.

FT-SE-A All-Share Index



Equity shares traded

Turnover by volume (million). Excluding: intra-market business and overseas turnover



Indices and ratios

FT-SE 100	3523.0	+4.3
FT-SE Mid 250	3886.8	-1.7
FT-SE-A 350	1752.8	+1.5
FT-SE-A All-Share	1730.99	+1.44
FT-SE-A All-Share yield	3.87	(3.87)
FT Ordinary index	2577.7	-0.9
FT-SE-A Non Fins p/e	16.57	(16.60)
FT-SE 100 Fut Dec	3536.0	-3.0
10 yr Gilt yield	7.85	(7.89)
Long gilt/equity yld ratio:	2.10	(2.12)

Best performing sectors

1 Tobacco .... +2.2
2 Extractive Inds. .... +1.9
3 Insurance .... +0.9
4 Transport .... +0.9
5 Telecommunications .... +0.8

Worst performing sectors

1 Retailers, Food .... -3.4
2 Oil, Integrated .... -1.4
3 Retailers, General .... -1.3
4 Textiles & Apparel .... -1.1
5 Mineral Extraction .... -0.7

Trouble in stores sector

There was no end in sight to the gloom overhanging the food retailers as **Kwik Save** became the latest company to add to the sector's woes by reporting figures below market expectations.

Full-year profits slipped to £125.5m from the year-ago's £135m and there was also a decline in like-for-like sales volumes.

Analysts said the fall was a further indication of the intensifying price war among food retailers, highlighted by **J. Sainsbury** when it reported disappointing figures earlier this week.

Shares in Kwik Save lost more than 10 per cent of their value as they tumbled 68 to 610p. Volume rose to 1.7m shares in the tightly traded stock, making it by far the day's worst performer in the FT-SE Mid-250 index.

One analyst said: "There is clearly no let-up in the price war. Being a discount retailer, Kwik Save has to have a pricing differential between itself and the super stores and at the moment it is not wide enough, a factor which has to be addressed."

Sainsbury continued to suffer and the shares relinquished 12 to 391p in trade of 9.5m. Heavy dealing in **ASDA Group** brought volume of 37m by the close of business, including a single trade of 10m done at 95.5p. The shares surrendered 4¼ to 95¼p, the worst performance in the Footsie.

It was followed by **Argyll Group**, which reports figures at the end of the month. The shares fell 11 to 301p as volume soared to 16m. There was also *active selling of* **Tesco**, *down* 7 at 288p after 18m turnover.

Boots retreats

Retailer **Boots** was depressed by a round of profits downgrades that followed the release of lower than anticipated interim figures.

The shares receded 11 to end at 540p, with some 7.3m having been dealt by the close.

UBS trimmed £15m off its full-year estimate to £510m but remains a buyer of the stock for the robust performance of Boots the Chemist and the prospect of a share buyback from the group.

BZW was another of the brokers to lower profits expectations. It removed £30m from its previous forecast to arrive at a new figure of £495m. It too remains a buyer of the shares.

In the rest of the sector, **Marks and Spencer** came under pressure ahead of next week's results and shed 10 to 407p in volume of 11m.

BZW reduced profits estimates on Wednesday, and several brokers have said they expect poor figures from the retailer with clothing sales hit by the warmer than anticipated UK weather.

Profit-taking in **Body Shop** after the sharp rise earlier this week saw the shares decline 14 to 140p. A buyer of 900,000 shares in **Forte** at 253p helped the stock advance 6 to 255p.

Third-quarter figures from **Shell Transport** looked fine but contained some unpleasant *surprises below the headline* figure.

Profits were flattered by currency gains, refining margins were under pressure in the Far *East and European chemicals* prices had fallen more than some analysts had expected.

Also, the company said it expected the price of Brent crude to average out at no more than $15 a barrel for the next decade.

A number of analysts were phlegmatic about the fall of 16½ to 729p on turnover of 10m shares. Mr Simon Trimble of Merrill Lynch said the weakness in chemicals prices was a correction rather than a trend and the company had achievable targets for its return on capital.

However SGST turned negative on the stock, analyst Ms Irene Himona arguing, with regard to cost cutting: "All they are doing is running up the down escalator."

Analysts were clearing the decks for further consolidation in the utility sector after the bid by **North West Water** for **Norweb** was approved late yes*terday*.

A decision by Mr Ian Lang, the President of the Board of Trade, not to refer the situation to the Monopolies and Mergers Commission was seen by one dealer as "opening the floodgates for the next round of bids".

One analyst said take out prices had risen at each bid. He said Norweb was approaching £12 a share compared to an underlying price of around £9 for the other recs, and commented: "There was nothing special about Norweb. The rest of the sector is not actually carrying much bid premium at all."

Norweb rose 30 to 1185p. Other likely pairings are seen to be Yorkshire Water and **Yorkshire Electricity**, Welsh *Water for Swalec and Southern* Water for Seeboard. Announcement of the clearance came at the moment the market closed. However, Yorkshire Electricity *put on 3 at 887p, Swalec 5 at* 917p and Seeboard 6 at 520p. Northern, seen as a less likely candidate, shed 7 to 873p.

In the textiles industry you cut your profits estimates according to your cloth. And the past month has been so warm that not much cloth has changed hands.

NatWest Securities has taken the pinking shears to its forecasts for **Courtaulds Textiles**, **Coats Viyella** and **Claremont Garments**, reducing its profits forecasts by around 6 per cent.

Also, in reaction to a £9.8m restructuring charge at **William Baird**, which reflects its decision to axe 600 staff – the broker has reduced full-year expectations to £15m from £26.2m. Baird shed 12 to 193p. Courtaulds Textiles 2 to 409p and Coats Viyella 3 to 184p. Claremont was flat at 295p.

British Steel came under pressure, slipping 2½ to 160½p, with Pru Bache, the US brokerage, said to have taken the stock off its buy list.

RTZ, one of the world's biggest mining companies, chipped up 20 to 898p with the help of a stronger copper price and a squeeze in the shares.

Speculation about a possible share buyback and reaction to a deal in China helped ICI. The chemical company's shares advanced 6 to 787p.

Glaxo jumped 16 to 871p on the back of US switching into the stock from **SmithKline Beeecham**, which fell 8 to 651p. Glaxo is holding a big research and development meeting on Wednesday and is hoping for early approval of its anti-Aids treatment 3TC.

British Petroleum slipped 3 to 468p. The oil major warned of a $385m exceptional charge to cover book value losses relating to the proposed sale *of its Marcus Hook* refinery in Pennsylvania to Tosco Corp for $235m.

Mining and exploration group **Cluff Resources**, which *announced it was in talks* about an offer for the company, leapt 14½ to 75p.

United Newspapers moved ahead 15 to 532p as Panmure Gordon recommended the stock, arguing that a price increase scheduled for Monday would boost revenue by £10m, most of which would go to the bottom line.

Advertising group **Cordiant** held steady at 84p, with anticipation of a £130m-plus rights issue today.

Unipalm, the Internet service group, jumped 46 to 574p in response to a strong performance by Uunet Technologies, which is in the process of acquiring it via a recommended share-swap deal.

MARKET REPORTERS:
Peter John,
Joel Kibazo.

FINANCIAL TIMES EQUITY INDICES

	Nov 2	Nov 1	Oct 31	Oct 30	Oct 27	Yr ago	*High	*Low
Ordinary Share	2577.7	2578.6	2589.5	2579.4	2565.5	2377.2	2666.5	2238.3
Ord. div. yield	4.12	4.13	4.11	4.12	4.15	4.54	4.73	4.02
P/E ratio net	15.52	15.51	15.57	15.51	15.43	18.46	21.33	15.35
P/E ratio nil	15.34	15.32	15.38	15.32	15.24	18.00	22.21	15.17

*For 1995. Ordinary Share index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2578.9	2583.4	2585.8	2577.0	2572.6	2573.3	2573.5	2572.9	2576.7	2586.3	2570.8

	Nov 2	Nov 1	Oct 31	Oct 30	Oct 27	Yr ago
SEAQ bargains	26,147	24,478	24,888	24,332	25,499	23,925
Equity turnover (£m)†	-	1692.3	1182.4	893.0	1696.1	1795.8
Equity bargains†	-	30,056	29,353	28,115	29,782	27,391
Shares traded (ml)†	-	681.1	486.6	467.0	589.0	622.4

†Excluding intra-market business and overseas turnover.

■ London market data

Rises and falls*		1995 Highs and lows		LIFFE Equity options	
Total Rises	658	Total Highs	78	Total contracts	19,315
Total Falls	442	Total Lows	48	Calls	8,998
Same	1,793			Puts	10,317

Nov. 2 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3545.0	3536.0	-3.0	3562.0	3524.0	9991	65038
Mar	3580.5	3564.0	-3.0	3588.0	3565.0	81	3505
Jun		3589.0	-3.0			0	134

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3910.0	+0			0	3507

■ FT-SE 100 INDEX OPTION (LIFFE) (*3521) £10 per full index point

	3350		3400		3450		3500		3550		3600		3650		3700	
	C	P	C	P	C	P	C	P	C	P	C	P	C	P	C	P
Nov	181½	4½	135	8	90½	14½	52½	28	28	53½	10	90½	3	139	1	189
Dec	205½	17	164	25½	125½	39	92	57	62	78	40½	108	24	146	14½	190
Jan	225½	30	188½	42½	151½	58	121	76½	92	99	70½	128	50½	161	36½	199
Mar	245	40	207½	51½	172½	67	142½	86½	113	108½	90½	137	68	167½	52½	204½
Jun†			257	99			193½	134½			142½	182½			99	240

Calls 2,418 Puts 3,628

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3375		3425		3475		3525		3575		3625		3675		3725	
Nov	154½	4	109	8½	66½	17½	36½	35½	16	65	6	104½	2	150	1	199
Dec	181	21½	140	30	104½	44	74	63	48½	87	29	117	16	154	9	196
Jan	207½	37½	169	48	134½	62½	103½	81	77½	104	55½	131½	38½	164	26½	201
Mar			203½	68			139	101			87	146½			51½	208½
Jun†			236½	102			182	140			132½	186			99½	239½

Calls 783 Puts 1,818 * Underlying index value. Premiums shown are based on settlement prices.
† Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1995 High	1995 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
-	F.P.	32.2	93	92	Abtrust Asian Smlr	92		-	-	-	-
-	F.P.	2.27	33	32	Do Warrants	32½		-	-	-	-
-	F.P.	2.37	10	9	†Arlon Props	10	+1	v-	-	-	-
-	F.P.	4.50	50	50	†Chartwell Intl	50		v-	-	-	-
50	F.P.	15.0	71	50	Consolidated Coal	68		-	-	-	-
-	F.P.	37.4	139	102	†Creos Intl	104		-	-	-	-
-	F.P.	42.4	102	100	Fleming Jpn C	101	+1	-	-	-	-
-	F.P.	0.56	28	17	German Sml Wts	17		-	-	-	-
-	F.P.	94.0	94	92	Guinness Flight	94		-	-	-	-
-	F.P.	195.0	195	193	Do Units	195	+1	-	-	-	-
-	F.P.	2.40	13	10	Do Warrants	12		-	-	-	-
-	F.P.	5.55	40	25	Hay & Robertson	37		v-	-	-	-
-	F.P.	11.4	119	112	†Indpt Radio	114	-3	v-	-	-	-
-	F.P.	22.0	543	488	†Intl Greetings	523	-10	-	-	-	-
45	F.P.	17.3	61	52	†MultiMedia	60	-1	v-	-	-	-
-	F.P.	18.9	105	100	Murray Vct	103		-	-	-	-
-	F.P.	14.6	100	98	Northern Venture	100		-	-	-	-
100	F.P.	25.5	102	101	Perpetual UK Sm C	102		-	-	-	-
400	F.P.	3.62	400	400	†Preston Nth End	400		v-	-	-	-

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Nov 1	% chg on day	Oct 31	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index†(34)	1738.45	+0.4	1722.83	2135.27	2.08	–	2135.27	1637.91
■ Regional Indices								
Africa (16)	2309.51	0.0	2309.51	3449.21	4.40	20.05	3503.35	2272.74
Australasia (6)	2174.93	–1.0	2196.49	2765.65	2.33	23.93	2765.65	1788.20
North America (12)	1503.32	+1.0	1488.94	1651.90	0.89	43.15	1831.00	1348.18

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FT - SE Actuaries Share Indices — The UK Series

	Nov 2	Day's chge%	Nov 1	Oct 31	Oct 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3523.0	+0.1	3518.7	3529.1	3510.0	3104.4	4.02	2.08	14.94	125.53	1397.87
FT-SE Mid 250	3886.8	----	3888.5	3894.3	3882.5	3530.8	3.52	1.85	19.26	121.40	1513.90
FT-SE Mid 250 ex Inv Trusts	3905.9	-0.1	3909.5	3914.8	3904.5	3530.3	3.65	1.90	17.97	126.93	1521.30
FT-SE-A 350	1752.8	+0.1	1751.3	1755.9	1747.3	1555.2	3.91	2.04	15.72	61.11	1421.49
FT-SE-A 350 Higher Yield	1755.4	+0.3	1750.2	1752.8	1743.5	1558.1	4.94	1.82	13.88	77.06	1161.04
FT-SE-A 350 Lower Yield	1754.5	-0.1	1756.9	1763.8	1755.7	1512.0	2.83	2.42	18.23	43.86	1188.21
FT-SE SmallCap	1936.23	+0.1	1934.86	1940.49	1940.76	1780.28	3.36	1.66	22.37	54.47	1559.22
FT-SE SmallCap ex Inv Trusts	1921.24	----	1921.07	1927.23	1929.43	1749.67	3.58	1.74	20.09	57.29	1555.30
FT-SE-A ALL-SHARE	1730.99	+0.1	1729.65	1734.14	1726.29	1540.02	3.87	2.01	16.07	59.46	1426.80

■ FT-SE Actuaries All-Share

	Nov 2	Day's chge%	Nov 1	Oct 31	Oct 30	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(23)	2877.67	-0.7	2899.16	2877.95	2854.21	2737.34	3.92	2.09	15.29	105.02	1206.16
12 Extractive Industries(7)	4095.92	+1.9	4017.98	4008.17	4040.36	3850.26	3.61	2.51	13.78	143.77	1174.39
15 Oil, Integrated(3)	2859.93	-1.4	2900.33	2874.47	2839.08	2712.91	4.10	2.04	14.95	107.92	1227.21
16 Oil Exploration & Prod(13)	1881.33	+0.1	1879.97	1877.16	1871.40	1891.59	2.67	1.49	31.50	49.88	1116.89
20 GEN INDUSTRIALS(278)	1937.29	+0.1	1934.70	1938.27	1934.81	1861.78	4.26	1.84	15.94	71.11	1034.22
21 Building & Construction(38)	903.92	+0.5	899.51	898.30	906.27	1044.23	4.51	1.94	14.30	37.56	742.66
22 Building Matls & Merchs(31)	1677.34	+0.6	1666.98	1672.77	1687.64	1817.38	4.45	2.06	13.64	65.30	828.49
23 Chemicals(23)	2408.39	----	2407.62	2403.17	2406.83	2313.15	4.00	1.89	16.54	80.65	1114.43
24 Diversified Industrials(20)	1751.73	+0.1	1749.99	1761.60	1758.47	1760.56	5.66	1.57	14.10	87.22	951.85
25 Electronic & Elect Equip(36)	2107.05	+0.5	2096.65	2099.02	2103.03	1884.02	3.55	1.98	17.76	61.51	1073.72
26 Engineering(69)	2129.78	----	2130.28	2135.47	2125.27	1796.57	3.44	1.99	18.28	60.77	1266.83
27 Engineering, Vehicles(13)	2542.93	+0.2	2537.97	2528.45	2508.44	2264.54	3.69	1.17	29.08	92.33	1294.93
28 Paper, Pckg & Printing(27)	2888.94	-0.3	2897.99	2882.59	2863.24	2808.91	3.46	2.49	14.54	87.77	1179.28
29 Textiles & Apparel(21)	1483.06	-1.1	1499.57	1505.75	1515.67	1550.50	4.85	1.79	14.42	52.57	877.74
30 CONSUMER GOODS(91)	3468.65	+0.4	3453.52	3459.91	3461.92	2753.98	3.86	1.82	17.72	118.49	1253.06
31 Breweries(18)	2851.66	+0.5	2838.56	2828.34	2614.36	2256.80	3.77	1.98	16.73	62.79	1240.38
32 Spirits, Wines & Ciders(10)	2899.46	+0.1	2896.58	2906.79	2882.74	2854.14	4.12	1.84	16.45	107.13	1019.57
33 Food Producers(24)	2477.66	-0.4	2486.83	2496.92	2500.65	2288.30	4.09	1.80	16.97	83.82	1091.24
34 Household Goods(11)	2603.82	-0.2	2608.53	2623.96	2631.61	2474.88	3.67	2.20	15.45	88.72	976.77
36 Health Care(17)	1950.83	-0.1	1953.58	1961.18	1978.25	1614.97	2.67	1.83	25.63	48.10	1170.09
37 Pharmaceuticals(10)	4781.28	+0.6	4754.64	4757.57	4771.74	3037.06	3.45	1.70	21.27	153.87	1594.21
38 Tobacco(1)	4485.33	+2.2	4387.92	4396.39	4434.51	3882.81	5.35	1.90	12.34	229.23	1085.14
40 SERVICES(226)	2117.56	-0.6	2131.31	2153.00	2144.67	1915.82	3.16	2.05	19.29	59.74	1081.09
41 Distributors(30)	2615.63	-0.1	2618.84	2678.70	2663.55	2510.45	3.60	1.77	18.59	90.79	947.95
42 Leisure & Hotels(23)	2478.93	+0.3	2470.71	2497.22	2486.00	2041.89	3.24	1.84	20.98	73.67	1269.78
43 Media(43)	3356.70	+0.1	3353.97	3374.37	3339.76	2878.05	2.17	2.40	24.03	77.87	1200.07
44 Retailers, Food(16)	1918.64	-3.4	1983.15	2047.28	2055.91	1733.82	3.78	2.41	13.75	58.55	1191.53
45 Retailers, General(44)	1727.07	-1.3	1750.69	1761.36	1753.01	1629.31	3.40	2.12	17.31	50.39	968.63
46 Support Services(37)	1838.15	+0.4	1830.70	1826.26	1826.67	1527.37	2.50	2.41	20.72	38.97	1153.18
49 Transport(20)	2207.15	+0.9	2187.96	2189.01	2189.18	2276.58	3.90	1.29	24.84	72.66	900.77
51 Other Services & Business(7)	1176.48	+0.1	1175.66	1188.55	1189.17	1237.23	4.40	1.40	20.22	38.30	1053.28
60 UTILITIES(36)	2496.81	+0.5	2485.17	2497.03	2480.38	2459.36	4.58	2.01	13.62	95.19	1019.87
62 Electricity(14)	2798.86	+0.2	2794.05	2806.81	2802.98	2568.89	3.98	2.92	10.76	116.18	1245.36
64 Gas Distribution(2)	1573.23	+0.2	1570.04	1605.23	1592.43	1851.09	7.62	0.65	25.30	119.82	789.31
66 Telecommunications(7)	2089.37	+0.8	2071.90	2073.45	2051.65	2085.83	3.93	1.71	18.64	51.48	929.31
68 Water(13)	2063.23	+0.1	2061.31	2070.66	2061.26	1921.98	5.59	2.74	8.14	85.07	1096.61
69 NON-FINANCIALS(654)	1832.16	----	1832.78	1839.11	1833.25	1662.39	3.90	1.94	16.57	62.79	1356.50
70 FINANCIALS(113)	2743.36	+0.5	2728.39	2725.95	2698.09	2195.37	4.06	2.45	12.57	103.73	1145.52
71 Banks, Retail(9)	3810.58	+0.8	3779.92	3798.62	3751.96	2891.28	3.82	2.81	11.63	140.81	1201.86
72 Banks, Merchant(6)	3589.01	----	3588.32	3598.16	3524.02	2724.71	2.59	2.74	17.65	91.76	1120.95
73 Insurance(25)	1393.54	+0.9	1381.37	1382.99	1378.75	1269.71	5.29	2.69	8.79	72.25	1020.36
74 Life Assurance(6)	3339.78	-0.3	3348.92	3250.35	3222.72	2382.13	4.18	1.53	19.51	136.72	1360.63
77 Other Financial(22)	2401.15	+0.2	2396.99	2399.26	2392.27	1840.00	3.68	1.94	17.48	62.49	1337.60
79 Property(45)	1374.53	-0.2	1377.07	1361.33	1345.93	1457.84	4.50	1.33	20.80	46.43	823.78
80 INVESTMENT TRUSTS(133)	2909.93	+0.4	2898.25	2904.69	2886.26	2734.76	2.27	1.06	51.74	56.23	1003.11
89 FT-SE-A ALL-SHARE(900)	1730.98	+0.1	1729.56	1734.14	1726.29	1540.02	3.87	2.01	16.07	59.46	1426.80
FT-SE-A Fledgling	1077.11	+0.3	1073.40	1075.55	1074.68	-	2.83	1.28	34.46	28.57	1107.93
FT-SE-A Fledgling ex Inv Trusts	1077.30	+0.4	1073.49	1076.00	1075.39	-	2.97	1.34	31.43	27.51	1107.21

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3520.1	3529.8	3535.3	3524.1	3519.3	3518.8	3518.4	3515.3	3521.7	3535.8	3513.1
FT-SE Mid 250	3887.3	3890.0	3889.8	3889.2	3888.1	3885.6	3885.7	3884.4	3885.2	3891.1	3884.4
FT-SE-A 350	1751.7	1755.7	1757.9	1753.4	1751.3	1751.0	1750.9	1749.6	1752.1	1758.2	1748.8

Time of FT-SE 100 Day's high: 9.53am Day's low: 2.36pm. FT-SE 100 1995 High: 3593.0(18/10) Low: 2954.2 (23/1).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	888.7	890.2	892.3	892.0	894.6	893.1	893.7	893.7	894.2	894.2	887.8	+6.4
Pharmaceuticls	4700.3	4708.0	4722.6	4712.7	4700.9	4697.6	4689.5	4698.7	4718.5	4727.7	4701.3	+26.4
Water	2057.4	2059.1	2062.2	2062.8	2057.7	2057.1	2057.1	2057.7	2062.7	2058.3	2056.4	+1.9
Banks, Retail	3832.0	3842.6	3858.4	3853.3	3851.3	3853.8	3853.6	3850.6	3858.8	3859.2	3828.2	+31.0

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT "500" has been renamed FT-SE-A Non-Financials index. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. NAME CHANGE: Gold Greenlees Trott is now GGT Group (43)

TRADING VOLUME

■ Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i	529	411	+2
ASDA Group†	37,000	95¼	-4¼
Abbey National†	2,000	534	+5
Albert Fisher	801	51	
Allied Domecq†	1,500	506	-3
Anglian Water	146	565	+1
Argos	610	509	-3
Argyll Group†	17,000	301	-11
Arjo Wiggins†	1,900	233	-1½
Assoc. Brit. Foods†	234	708	+4
Assoc. Brit. Ports	352	309	+2
BAA†	4,800	498	+8
BAT Inds.†	3,000	530	+12
BET	11,000	130½	+1
BICC	3,400	258	-4
BOC†	1,100	887	
BP†	5,400	468	-3
BPB Inds.	1,000	393	+4
BSkyB†	6,000	373	+2
BT†	4,300	378	+1½
BTR†	4,800	336	+½
Bank of Scotland†	1,000	250	+1
Barclays†	4,200	745	+7
Bass†	447	668	+5
Blue Circle†	2,800	293	+6
Booker	284	374	-3
Boots†	7,300	540	-11
Brit. Aerospace†	2,100	718	+9
British Airways†	3,900	468	+7½
British Gas†	4,400	236	+½
British Land	2,200	365	-3
British Steel†	4,800	160½	-2½
Bunzl	390	203	
Burmah Castrol†	880	968	+3
Burton	826	99½	-½
Cable & Wire†	6,500	423	+11
Cadbury Schweppes†	2,000	519	-1
Caradon	3,600	194	-3
Carlton Comms.†	1,700	966	+5
Coats Viyella	2,900	184	-3
Comm. Union†	1,700	616	+2
Compass	900	429	
Cookson†	889	294	+1
Courtaulds†	98	398	-2
Dalgety	1,500	421	-1
Danka	57	535	+5
De La Rue†	349	922	+14
Dixons	2,300	388	+4
East Midland Elec.	199	883	+3
Electrocomps	254	324	
Eng China Clays	1,300	344	+1
Enterprise Oil†	988	342	+3
Eurotunnel Units	335	93	+3
FKI	492	162	-1
Fisons	35	264	
Foreign & Col. I.T.	411	148	
Forte†	5,700	255	+6
Gen. Accident†	1,300	658	+10
General Elect.†	3,900	316	+2
Glaxo Wellcome†	5,900	871	+16
Glynwed	186	331	-3
Granada†	3,500	666	-2
Grand Met.†	2,800	437	+1
GUS†	2,700	562	-10
GRE†	3,000	240	+8
GKN†	275	806	
Guinness†	1,100	508	+2
HSBC (75p shs)†	509	942	+6
Hammerson	303	341	+6
Hanson†	7,800	190½	+½
Harrisons Crosfield	946	147	+1
Hays	280	369	+2
Hillsdown	2,600	162	-4
IMI	171	327	+1
ICI†	1,900	787	+6
Inchcape†	3,100	303	+5
Johnson Matthey	422	612	+3
Kingfisher†	908	480	+2
Kwik Save	1,700	610	-68
Ladbroke†	2,900	162	-1
Land Securities†	425	585	-1
Laporte	337	835	+2
Legal & General†	609	660	-4
Lloyds Abbey	210	460	
Lloyds Bank†	5,000	795	+9
LASMO†	3,100	152	-1
London Elect.†	377	692	+7
Lonrho	2,800	154½	
Lucas	4,600	198	+1
MEPC	1,800	380	-5
MFI	2,800	138	-3
Marks & Spencer†	11,000	407	-10
Mercury Asset Man	74	928	+5
Midlands Elect.†	12	985	
Morrison (Wm.)	762	141	-7
NFC	909	153	-2
NatWest Bank†	2,800	629	+4
National Power†	834	498	-4
Next	1,300	406	-1
North West Water†	1,100	597	+2
Northern Elect.	570	873	-7
Northern Foods	606	179	-1
Norweb	264	1185	+30
Pearson†	1,100	630	+2
P & O†	2,000	486	+1
Pilkington	3,700	194	+4
PowerGen†	701	568	-1
Prudential†	11,000	412	-2
REXAM†	7,700	406	-6
RMC†	308	1010	+3
RTZ†	2,300	898	+20
Racal	1,800	280	+7
Rank Org.†	3,600	418	-2
Reckitt & Colman†	225	667	-1
Redland†	1,500	360	
Reed Intl.†	492	971	+4
Rentokil†	558	315½	+1½
Reuters†	909	577	-1
Rolls Royce†	1,300	153	+1
Ryl Bk Scotland†	2,800	515	+7
Royal Insurance†	1,300	392	-1
Sainsbury†	9,500	391	-12
Schroders†	87	1340	
Scottish & New.†	279	589	+2
Scot. Hydro-Elect.	44	337	
Scottish Power†	1,100	349½	+1½
Sears†	14,000	103	-1
Sedgwick	1,600	105	
Seeboard	839	520	+6
Severn Trent†	277	633	-5
Shell Transport†	10,000	729	-16½
Siebe†	877	752	+2
Slough Ests	27	202	-2
Smith (W.H.)	2,500	383	+3
Smith & Nephew†	761	193½	
SmKl Beecham†	1,800	651	-8
SmKl Beecham Uts.†	1,800	632	-14
Smiths Inds.	289	595	+4
Southern Elect.†	46	952	+1
South Wales Elect.	553	917	+5
South West Water	147	497	-1
Southern Water	42	674	+1
Standard Chartd.†	4,900	517	+2
Storehouse	1,200	288	-10
Sun Alliance†	3,100	375	+3
T&N	1,900	143	
TI Group†	88	433	+1
TSB†	3,900	381	+5
Tarmac	7,200	83½	-1½
Tate & Lyle†	1,700	452	-1
Taylor Woodrow	4,900	106	
TeleWest	1,900	173	-4
Tesco†	18,000	288	-7
Thames Water†	830	529	+3
Thorn EMI†	1,100	1463	+12
Tomkins†	1,200	248½	-½
Trafalgar House	1,600	22¼	
Unigate	1,100	418	-2
Unilever†	1,300	1220	-6
United Biscuits	859	268	
Utd. News & Media	1,500	532	+15
Vodafone†	2,900	264	+2
Welsh Water	144	751	+1
Wessex Water	220	327	
Whitbread†	1,100	627	-2
Williams Hldgs.†	319	314	
Willis Corroon	129	128	
Wimpey	123	102	
Wolseley†	325	398	+1
Yorkshire Elec.	[illegible]	[illegible]	[illegible]
Yorkshire Water	[illegible]	[illegible]	[illegible]
Zeneca†	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Nov 2 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Nov 2 / Frs.)

[illegible]

CZECH REP (Nov 2 / Koruna)

[illegible]

DENMARK (Nov 2 / Kr)

[illegible]

FINLAND (Nov 2 / Mkk)

[illegible]

FRANCE (Nov 2 / Frs.)

[illegible]

GERMANY (Nov 2 / Dm.)

[illegible]

GREECE (Nov 2 / Drachma)

[illegible]

ITALY (Nov 2 / Lire)

[illegible]

NETHERLANDS (Nov 2 / Fls.)

[illegible]

NORWAY (Nov 2 / Kroner)

[illegible]

POLAND (Nov 2 / Zloty)

		+/–	High	Low	Yld	P/E
Elektrim	8.75	+.55	11	6.40	1.7	—
Exbud	28.80	–2.10	32	10.80	—	—
Mostal	5.80	...	8.80	5.50	—	—
Wedel	111.50	+3.50	185	108	1.1	—
Wilczak	21.10	–1.10	33	20	1.4	—
Zywiec	200	+5	213	127.50	1.0	—

PORTUGAL (Nov 2 / Escudo)

[illegible]

SPAIN (Nov 2 / Pts.)

[illegible]

SWEDEN (Nov 2 / Kronor)

[illegible]

SWITZERLAND (Nov 2 / Frs.)

[illegible]

TURKEY (Nov 2 / TL Lira)

[illegible]

PACIFIC

JAPAN (Nov 2 / Yen)

[illegible]

AUSTRALIA (Nov 2 / Aust$)

[illegible]

HONG KONG (Nov 2 / H.K.$)

[illegible]

INDONESIA (Nov 2 / Rupiah)

[illegible]

MALAYSIA (Nov 2 / MYR)

[illegible]

NEW ZEALAND (Nov 2 / NZ $)

[illegible]

SINGAPORE (Nov 2 / S$)

[illegible]

SOUTH KOREA (Nov 2 / Won)

[illegible]

TAIWAN (Nov 2 / TW $)

[illegible]

THAILAND (Nov 2 / Baht)

[illegible]

AFRICA

SOUTH AFRICA (Nov 2 / Rand)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Nov 2 / Can $)
4 pm close

[illegible]

MONTREAL (Nov 2 / Can $)
4 pm close

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1995, except Toronto & Montreal (daily). # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Nov 2	Nov 1	Oct 31	1995 High		1995 Low	
Argentina							
General (29/12/77)	(u)	13082.53	13288.84	16631.16	2/1	9831.89	9/3
Australia							
All Ordinaries(1/1/80)	2059.0	2055.7	2073.7	2166.00	18/9	1823.30	8/2
All Mining(1/1/80)	933.0	927.9	937.0	1028.56	7/6	795.30	8/2
Austria							
Credit Aktien(30/12/84)	340.53	(c)	335.86	395.42	2/1	328.50	27/10
Traded Index(2/1/91)	923.98	(c)	924.86	1056.31	2/1	882.15	23/10
Belgium							
BEL20 (1/1/91)	1430.17	(c)	1427.22	1481.39	2/8	1271.53	9/3
Brazil							
Bovespa (29/12/83)	(c)	40998.0	41284.0	48612.90	19/8	4531.60	8/8
Canada							
Metals Minls♦(1975)	(u)	4862.91	4825.10	5252.77	21/8	3806.63	1/3
Composite♦ (1975)	(u)	4453.00	4459.20	4710.30	12/7	3991.41	30/1
PortfolioSS (4/1/83)	(u)	2180.12	2188.07	2307.81	12/7	1953.35	30/1
Chile							
IGPA Gen♥(31/12/80)	(u)	(c)	5912.6	6063.19	11/7	4676.90	9/3
Denmark							
CopenhagenSE(3/1/83)	357.33	357.08	357.91	375.44	25/8	330.81	29/3
Finland							
HEX General(28/12/90)	1904.81	1927.09	1926.35	2332.22	14/8	1568.30	29/3
France							
SBF 250 (31/12/90)	1308.19	(c)	1200.96	1322.30	12/5	1164.41	17/23
CAC 40(31/12/87)	1826.74	(c)	1814.01	2017.27	12/5	1721.14	23/10
Germany							
FAZ Aktien(31/12/58)	789.39	783.09	781.78	849.76	19/9	768.87	30/3
Commerzbank(1/12/53)	2264.0	2265.5	2260.5	2427.80	19/9	2018.70	30/3
DAX (30/12/87)‡	2183.86	2183.22	2167.91	2317.81	15/9	1910.96	28/3
Greece							
Athens SE(31/12/80)	919.69	923.34	926.21	982.89	4/8	787.35	15/3
Hong Kong							
Hang Seng(31/7/64)	9749.35	(c)	9782.39	10032.93	17/10	6967.93	23/1
India							
BSE Sens.(1979)	3461.35	3488.50	3423.47	3832.89	2/1	3015.07	2/5
Indonesia							
Jakarta Comp.(10/8/82)	486.46	487.99	488.45	519.18	11/8	414.21	19/4
Ireland							
ISEQ Overall(4/1/88)	2118.79	2112.96	2109.47	2170.73	15/9	1813.58	23/1
Italy							
Banca Comm Ital (1972)	590.88	(c)	581.31	688.54	10/2	555.09	23/10
MIB General (2/1/85)	932.0	(c)	918.0	1076.00	10/2	877.09	23/10
Japan							
Nikkei 225 (16/5/49)	18026.80	17474.49	17654.64	18984.04	4/1	14485.41	3/7
Nikkei 300 (1/10/82)	269.08	262.80	264.56	289.16	4/1	222.26	13/6
Topix (4/1/68)	1435.52	1405.95	1411.14	1553.40	4/1	1193.16	13/6
2nd Section (4/1/68)	1890.33	1876.64	1864.85	2138.66	4/1	1461.60	13/6
Malaysia							
KLSE Comp.(4/4/86)	923.52	941.78	957.61	1085.04	5/6	840.87	24/1
Mexico							
IPC (Nov 1978)	(c)	2305.82	2302.01	2623.21	8/9	1447.52	27/2
Netherland							
CBS TtlRtnGen(End 83)	494.0	497.1	495.1	511.80	19/9	422.98	23/3
CBS All Shr (End 83)	298.4	301.3	300.0	311.19	15/9	265.29	23/3
New Zealand							
Cap. 40 (1/7/86)	2170.86	2170.50	2179.36	2206.82	20/10	1981.43	5/1
Norway							
Oslo SE(Ind)(2/1/83)	1221.59	1215.20	1219.44	1282.16	18/10	1036.80	10/3
Philippines							
Manila Comp (2/1/85)	2489.08	(c)	2460.73	2858.12	10/7	2248.39	27/3
Portugal							
BTA (1977)	2564.9	(c)	2569.0	2811.66	9/1	2864.90	2/11
Singapore							
SES All-S'pore(2/4/75)	511.21	509.35	512.19	556.66	5/1	472.80	23/1
South Africa							
JSE Gold (28/9/78)	1273.7♥	(c)	1270.7	2023.00	2/1	1258.28	30/10
JSE Ind. (28/9/78)	7522.9♥	(c)	7510.2	7888.29	26/10	6222.09	31/1
South Korea							
KoreaCompEx(4/1/80)**	994.68	987.52	990.26	1027.37	2/1	847.09	27/5
Spain							
Madrid SE (30/12/85)	296.89	(c)	298.21	318.96	13/8	283.38	26/8
Sweden							
AffarsvardsGen (1/2/37)	1698.0	1697.9	1714.2	1872.19	19/9	1439.80	29/3
Switzerland							
Swiss Bk Ind (31/12/58)	1428.66	1430.05	1423.88	1437.89	18/10	1174.63	13/3
SBC General (1/4/87)	1073.27	1073.44	1069.31	1079.82	18/10	870.58	13/3
Taiwan							
WeightedPr.(30/6/66)**	4828.84	4901.56	(c)	7061.49	5/1	4603.37	14/8
Thailand							
Bangkok SET (30/4/75)	1244.52	1265.64	1270.76	1472.84	10/7	1135.89	16/3
Turkey							
Istanbul Comp.(Jan 1986)	45787.5	44824.2	46324.8	54882.80	21/4	24844.34	23/1
WORLD							
MS Capital Int (1/1/70)$	694.4*	690.2	691.5	703.89	29/9	598.21	23/1
CROSS-BORDER							
Eurotrack 100(26/10/90)	1409.91	1403.39	1399.80	1489.69	15/9	1222.41	13/3
Euro Top-100 (26/6/90)	1276.29	1271.99	1268.72	1318.86	15/9	1117.34	9/3
JCapalDrgns (31/12/88)	(u)	328.61	330.05	349.47	14/7	282.07	23/1
Barings Emerg.(7/1/92)	139.38	140.31	141.12	158.07	2/1	117.15	10/3

** Sat Oct 28: Taiwan Weighted Price 4897.45; Korea Comp Ex 998.05. Base values of all Indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 25 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. $$ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Nov 2 - 2180.49 -1.62.

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
CAC-40 (200 x index)							
Oct	1845.0	1859.0	+14.0	1852.0	1826.5	17,350	26,118
Nov	1853.0	1849.0	+19.5	1861.5	1837.0	1,096	26,118
DAX							
Dec	2186.5	2181.0	–2.5	2201.0	2175.0	20,776	100,801
Mar	2220.0	2212.0	–8.0	2221.0	2198.0	108	6,661
OMX							
Nov	1348.05	–	–	1356.00	1342.50	5,103	15,883
SOFFEX							
Oct	3100.0	3134.8	+22.8	3135.0	3092.0	6,757	16,842
Nov	3149.0	3132.5	–1.3	3155.0	3122.0	4,849	1,696
S&P 500							
Dec	588.15	590.30	+2.15	590.85	587.50	82,084	201,007
Mar	592.90	595.15	–	595.70	592.40	877	12,777
Nikkei 225							
Dec	17630.0	18100.0	+610.0	18100.0	17610.0	27,739	152,646
Mar	17640.0	17640.0	+580.0	18060.0	17630.0	2,272	7,173

Open interest figures for previous day.

US INDICES

Dow Jones	Nov 1	Oct 31	Oct 30	1995 High	1995 Low	Since compilation High	Since compilation Low
Industrials	4766.68	4755.48	4756.57	4802.45 (19/10)	3832.08 (30/1)	4802.45 (19/10/95)	41.22 (2/7/32)
Home Bonds	103.88	103.71	103.74	104.04 (16/10)	93.63 (3/1)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	1924.88	1936.12	1920.55	2000.30 (18/9)	1473.19 (3/1)	2000.30 (18/9/95)	12.32 (8/7/32)
Utilities	216.39	214.54	216.12	230.08 (25/10)	183.03 (3/1)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 4801.73 (4821.96) Low 4719.72 (4735.87) (Theoretical♦)
Day's high 4770.29 (4801.00) Low 4744.84 (4755.48) (Actual♦)

Standard and Poors	Nov 1	Oct 31	Oct 30	1995 High	1995 Low	Since compilation High	Since compilation Low
Composite ‡	584.22	581.50	583.25	590.66 (19/10)	459.11 (3/1)	590.65 (19/10/95)	4.40 (1/6/32)
Industrials♥	685.65	683.99	686.20	691.54 (19/10)	546.28 (3/1)	691.54 (19/10/95)	3.62 (21/6/32)
Financial	58.50	57.46	57.71	61.38 (18/10)	41.64 (3/1)	61.38 (18/10/95)	8.64 (1/10/74)
NYSE Comp.	311.02	309.61	310.14	315.39 (19/10)	250.73 (3/1)	315.39 (19/10/95)	4.46 (25/4/42)
Amex Mkt Val	522.64	521.67	516.14	553.58 (12/9)	433.12 (6/1)	553.58 (12/9/95)	29.31 (9/12/72)
NASDAQ Comp	1040.50	1036.05	1036.69	1067.40 (13/9)	743.58 (3/1)	1067.40 (13/9/95)	54.87 (31/10/72)

RATIOS

	Oct 27	Oct 20	Oct 13	Year ago
Dow Jones Ind. Div. Yield	2.46	2.42	2.42	2.70
	Nov 1	Oct 25	Oct 18	Year ago
S & P Ind. Div. yield	2.07	2.08	2.10	2.38
S & P Ind. P/E ratio	17.99	17.95	17.68	20.82

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Change on day
DST Systems	9,085,100	25½	+4½
Micron Tech	7,059,300	66½	–2¼
Chile Tele	6,981,600	71¼	+⅛
Grace WR	6,425,000	56¼	+⅜
K Mart	6,168,800	8½	+¼
Wal-Mart	4,256,300	22⅛	+⅛
Citicorp	4,130,400	68⅞	+2
Ford Motor	4,053,400	28⅜	–⅛
Telefonos	4,002,700	27⅝	–⅛
Texas Inst	3,214,400	65¼	–2¼

TRADING ACTIVITY

● Volume (million)	Nov 1	Oct 31	Oct 30
New York SE	352.880	375.889	318.841
Amex	13.927	19.833	13.072
NASDAQ	446.222	481.295	425.692
NYSE			
Issues Traded	3,035	3,053	3,043
Rises	1,326	1,142	1,286
Falls	931	1,202	982
Unchanged	778	709	775
New Highs	70	61	69
New Lows	37	57	46

TOKYO - MOST ACTIVE STOCKS: Thursday, November 2, 1995.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Takara Shuzo	14.1m	857	+82	Ricoh Co	6.1m	1,120	+30
Toho Zinc	11.0m	592	+36	Toshiba Corp	5.8m	765	+25
Mitsubishi Hvy	9.7m	805	+11	NKK Corp	5.6m	251	+5
Taito	8.4m	699	+100	Nip Koshuha Stl	5.1m	414	+24
Nikon Corp	6.3m	1,590	+90	Toshiba Ceramics	4.2m	1,010	+50

4 pm close November 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995 High	Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
19	12⅛	AAR x	0.48	2.7	24	106	18	17¾	17¾	
48¼	35	AMP x	0.92	2.4	20	4202	39¼	38¾	39⅛	+⅛
80¼	53⅜	AMR			16	8160	70⅛	67	70	+3¼
47⅞	36⅜	ASA	1.71	4.5	25	482	38¼	37⅞	38¼	+⅞
44¾	30¾	AbbtL	0.84	2.1	18	12518	39½	39⅝	39⅛	-⅛
18⅞	12	Abitibi Pr	0.40	2.2	9	5037	17⅞	17⅛	17⅞	+¼
27⅞	21	ABM Ind	0.60	2.3	14	6	26¾	26⅝	26⅞	-⅛
17½	13½	Acpincoln			11	469	15¾	15⅜	15½	+⅛
35⅞	21⅞	ACE Ltd	0.56	1.6	8	500	35⅜	34¼	35⅜	+1⅛
9⅞	8⅛	ACM Gvt In x	0.90	9.4	8	318	9⅝	9½	9⅝	
7¾	6½	ACM GvOpp x	0.66	8.9		177	7⅜	7¼	7⅜	+⅛
7½	5¾	ACM Gvt Sp y	0.75	10.7		116	7⅛	7	7	
8¾	7¼	ACM Gvt Se x	0.90	10.3		307	u8¾	8⅝	8¾	
9½	7⅝	ACM Man x	0.90	10.3		114	8⅞	8¾	8¾	
29¼	10¼	AcmeClv x	0.48	2.2	10	125	21⅝	21	21⅜	-¼
38¾	8¼	Acme Elect			75	153	9	8⅜	9	+⅜
34½	23¾	Acordia	0.72	2.6	15	50	27¾	27¾	27¾	+¼
19½	8⅝	Actava	0.36	1.9	13	662	18¾	17⅞	18⅝	
16¾	10⅛	Acuson			36	772	11⅞	11¾	11¾	-⅛
18⅞	15⅝	Adams Expr	0.48	2.6	0	193	18⅝	18½	18⅝	+⅛
38⅞	22¾	AdvMic			7	15678	23⅞	d22½	23¼	+½
9¾	5	Advest Grp	0.16	1.7	13	51	u9¾	9½	9⅝	
25¾	16½	Advo Inc	0.10	0.4	19	529	25⅝	25⅜	25⅝	+⅛
38½	24.80	Aegon	1.28	3.3	21	71	u38¾	38½	38⅝	+⅛
5⅞	3⅜	Aerflx			8	200	4½	4⅜	4½	
75½	46¾	AetnaL x	2.76	3.8	34	5364	72	71¼	72	+⅞
44¾	31⅞	Aflac	0.52	1.2	12	3160	42	41¼	41¾	+½
28⅜	16	Ahmnsn	0.88	3.4	16	1860	26⅜	25⅜	26⅛	+1⅛
58½	43⅞	AirPrC	1.04	1.9	16	2127	54⅝	53⅝	54⅛	+¼
26¾	18⅜	Airbne Frt	0.30	1.1	26	1849	u28	26½	28	+1½
30	19⅝	Airgas Inc			25	1060	28	27	28	+1⅛
18	13⅜	Airlease	2.00	11.9	12	13	16⅞	16¾	16⅞	+⅛
35⅝	24	AirTch			119	7461	29⅞	28¾	29¾	+1

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Continued on next page

4 pm close November 2

NYSE COMPOSITE PRICES

Continued from previous page

1995 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
26¾	20½	Scana Corp	1.44	5.6	16	573	u25⅞	25⅜	25¾	+¼
18	14½	Scecorp	1.00	5.9	10	2410	17¼	17	17	-⅛
11¼	6⅛	SchawkA x	0.26	4.0	11	87	6⅝	6⅜	6½	
50¼	37¼	ScheringP			23	421	44⅞	44¼	44⅜	+¼
55⅝	36½	SchPl x	1.16	2.2	19	5813	54¼	53⅝	53⅞	-⅜
66⅝	50⅛	Schlmb	1.50	2.4	23	3483	62⅝	62¼	62⅝	+¼
29	11¼	SchwabC	0.16	0.7	28	4853	24⅝	23⅞	24⅝	+⅛
24⅞	11⅜	SciAtl	0.06	0.5	18	3321	13¼	12⅞	13⅛	+½
20	15⅝	Scotsman	0.10	0.6	10	2100	16¾	16½	16¾	
54⅛	33½	ScotP	0.40	0.8	15	4447	53¼	52⅜	52¾	+⅝
38	26⅞	Scripps	0.52	1.4	26	1284	u38¼	37⅞	38¼	+¼
21½	14	ScudderNAsF	0.02	0.1		151	14⅞	14⅝	14¾	+⅛
11⅜	8⅝	ScudderNEsF x	0.16	1.5		460	10⅝	10⅜	10½	
20	13⅜	SeaCoB	0.70	4.0	1	38	17¾	17⅝	17⅝	-⅛
16¾	14⅝	SeaC1.4625	1.46	9.3		3	15¾	15⅝	15¾	+⅛
49⅞	23⅝	S'gate			70	10277	48⅜	46¾	46⅞	+2
38⅝	25⅝	Seagrm	0.60	1.6	26	5190	37⅛	35¾	36⅞	+1⅛
22½	15¼	Seagull En			58	436	17	16¾	16⅞	
28¾	18	Sealed Air			23	1013	26½	26	26½	+¼
37⅞	30¼	SearsR	0.92	2.5	8	18508	36¼	34¾	36¼	+1⅜
19⅛	16⅛	SecCapStS x	1.15	6.7	20	873	17½	17¼	17¼	-¼
12⅞	10⅞	Seligm Sel	0.84	6.9		170	12¼	12⅛	12¼	+⅛
38¼	20	Sensormat x	0.22	1.0	23	8563	24⅜	22⅞	22⅝	+¼
31¾	21⅞	SequaA	0.60	2.4	7	19	26	25½	25½	-⅝
35⅛	23	SequaB	0.50	1.6	16	2	31¾	31¾	31¾	
46⅞	26¼	ServCp	0.44	1.1	22	4617	39¼	38½	38⅞	-⅛
28⅞	21½	SvMer	0.96	3.4	13	219	28⅝	28⅛	28½	+¼
7⅞	4⅛	ServMerch			10	1852	5⅝	5⅜	5⅝	+⅛
57½	22½	SGSThom			58	775	47½	45	47	+2½
17⅞	12	Shaw Ind	0.30	2.1	15	6132	14⅛	12⅞	14⅛	+1⅛
36¾	16½	Shawmut Nt	0.88	2.6	13	6175	34¼	33⅜	33⅞	+⅜
13⅝	7⅞	Shelby Wil x	0.38	2.2	45	34	12¾	12⅜	12¾	+⅛
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AMEX COMPOSITE PRICES

4 pm close November 2

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 2

- A - [illegible]

- B - [illegible]

- C - [illegible]

- D - [illegible]

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- F - [illegible]

- G - [illegible]

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AMERICA

Bonds and currencies lift US stocks

Wall Street

US share prices latched on to soaring bond and currency markets to move higher in early trading yesterday, writes Lisa Bransten in New York.

At 1pm the Dow Jones Industrial Average was up 17.34 to 4,784.02. The Standard & Poor's 500 added 3.44 at 587.66 and the American Stock Exchange composite was 3.90 higher at 526.54. NYSE volume came to 231m shares.

In early afternoon trading, the benchmark 30-year Treasury had added more than half a point to recent sharp gains, bringing the yield to 6.249 per cent – the lowest level since February of last year when the Federal Reserve began raising interest rates.

The dollar also added to recent gains against the D-Mark and the Japanese yen amid political and economic uncertainty in Europe and Japan.

Technology shares were especially strong, with the technology-rich Nasdaq composite up 11.38 at 1,051.71 and the Pacific Stock Exchange technology index standing 1.5 per cent stronger.

Rising technology shares included Microsoft, up $1⅝ at $99⅝, Intel, $1 1/16 higher at $72¼, Adobe Systems, $2⅝ ahead at $59⅝, and C-Cube Microsystems, $3¾ dearer at $70¾.

Apple Computer, however, gave up $1¼ at $36¾ after announcing that it would speed its adoption of a strategy based on geographical regions and that Mr Dan Eilers, a senior vice-president who helped develop the strategy, would resign.

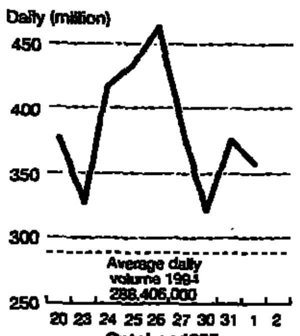
America Online was also lower in the wake of Wednesday's sharp gains. The provider of online services slipped $2¼ yesterday after rising $6¼ Wednesday, bringing the share price to $84. Prices shot up on Wednesday after the company announced a stock split.

United HealthCare added $2½ or 4.6 per cent at $56⅞ after reporting strong enrolment figures for the third quarter. Earnings for the health maintenance organisation were in line with expectations at 53 cents per share.

Premark rose $3⅞ or 8.5 per cent at $49⅝ after announcing late on Wednesday that it would spin off its Tupperware division.

Immunex soared more than 30 per cent or $3⅝ to $15⅝ after American Home Products made a bid to buy the company for $14.50 a share or $236m. Shares in American Home Products slipped $1⅞ to $87¼.

NYSE volume



Canada

Toronto remained in positive territory at midday, in spite of worries that another Quebec referendum may be in the offing sooner than had been expected. The TSE-300 composite index was 9.82 higher by noon at 4,462.83 in volume of 38.7m shares.

Air Canada eased 5 cents to C$4.90 in spite of posting improved third-quarter results. Among the day's other corporate reporters, Rogers Communications was flat at C$13¾ and Canadian Pacific picked up C$¼ to C$21⅛.

S Africa broadly higher after local elections

Johannesburg strengthened across the board as investors resumed their demand for mining financial and platinum shares following Wednesday's official holiday to allow for local government elections.

One dealer described trading as pedestrian, in large part because the results of Wednesday's local elections – which showed strong but not overwhelming support for Mr Nelson Mandela's African National Congress – were in line with market expectations.

Gold shares faltered in late trade on profit-taking, having edged ahead in afternoon dealings, but industrials showed widespread firmness, still propelled by overnight gains on Wall Street.

The overall index climbed 23.7 to 5,812.8, industrials rose 12.7 to 7,522.9 and golds picked up 3.0 to 1,273.7.

De Beers finished R1 higher at R101.75 and Anglos moved forward R2.50 to R210.

JCI, the mining industrial group, collected 75 cents or 2.6 per cent at R30, Remgro, the conglomerate, was up 75 cents to R34, and consumer products group Malbak hardened 25 cents to R24.50 on a large block trade from London.

In the golds sector, Vaal Reefs appreciated R2.50 to R211 and Western Deep was ahead R2 at R104.

Platinum issues shrugged off the metal's recent sharp fall on international markets, as well as sell recommendations from local brokerages, to post solid gains. Implats strengthened R3 to R76 and Rusplat R1.50 to R65.50.

Anglo's coal producer, Amcoal, also added to the winning streak, ending with a rise of R5 or 2.1 per cent at R243.

Argentina makes progress

With Mexico and Brazil closed for national holidays, BUENOS AIRES found it difficult to become enthusiastic, and turnover reflected the lack of buyers. By mid-morning the Merval index was up 1.41 at 404.78.

The telephone utilities were the most heavily traded sector.

LIMA was down more than 2 per cent by midsession, with most foreign investors absent. By noon the general index had declined 26.5 to 1,238.8.

EUROPE

Akzo down 4% on reaction to quarterly report

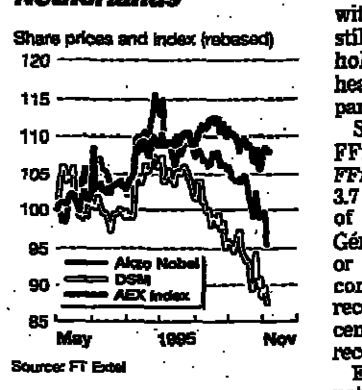
Akzo Nobel became the latest casualty among chemicals in AMSTERDAM, the shares falling by 4 per cent on a generally negative reaction to the third-quarter figures. Akzo tumbled Fl 7.50 to Fl 172.80, while the AEX index lost 2.08 to 454.02.

Ms Kirsten van Putten, Dutch chemicals analyst at MeesPierson in Amsterdam, said she had been surprised by some of the divisional results. Coatings, for instance, were disappointing and she had been surprised that earnings growth in pharmaceuticals had not been better. The currency translation effect had played a part, she noted. However, she was quietly optimistic for the fourth quarter, and expected the group to benefit from an easing in raw material prices.

DSM, which had seen a technical rebound on Wednesday following disappointment with its results earlier in the week, dipped Fl 2.00 to Fl 118.00. Ms van Putten commented that the group was likely to see pressure on its earnings in the fourth quarter and in 1996, owing to a decline in petrochemicals prices.

Royal Dutch's chemicals division also gave cause for concern, and the shares lost Fl 1.90 to Fl 194.10. Elsewhere Philips fell Fl 1.70 or 2.7 per cent to Fl 60.30 as its German subsidiary Grundig confirmed that it would make a DM127m loss in 1995 and was considering a further round of job cuts.

Netherlands



Source: FT Extel

PARIS was pleased with a cut in the 24-hour lending rate in excess of expectations and the CAC-40 index sprinted to an intra-day high of 1,842. But the rise was not sustained, in spite of the re-emergence of foreign institutions; profits were taken and the index ended 14.73 up at 1,828.74 in turnover of FFr4.5bn.

Some analysts said that although the rate cut was welcome, it was more of a technical measure, and what was required was a reopening of the five to 10-day lending rate, which had been closed to deter speculation against the franc.

Corporate news was limited, with many domestic investors still absent after Wednesday's holiday, but a number of healthy movements were seen, particularly among financials.

Suez, for instance, made FFr7.30 or 4 per cent to FFr191.90 and BNP FFr7.40 or 3.7 per cent to FFr208.70. One of the best performers was Générale des Eaux, up FFr20.60 or 4.5 per cent to FFr475.10, continuing its recovery from recent weakness but still 20 per cent down from the year's high recorded in mid-August.

Eurotunnel took its own path again, losing 15 centimes, or 2 per cent to FFr7.50 in late reaction to Tuesday's news that its £2.5bn claim against the French and UK national railways had been rejected.

FRANKFURT lost momentum as the dollar came off the top, and the Dax index closed 1.62 lower at an Ibis-indicated 2,180.49 after a high of 2,189.70.

Turnover nearly doubled, from DM3.9m to DM7.7bn, after Wednesday's partial holiday. In chemicals, Hoechst regretted some of its earlier enthusiasm ahead of next week's third-quarter season and fell DM6.50 to DM370.50, back below Bayer which closed DM2.50 lower at DM373.

Volkswagen rebounded from relative weakness, DM10 higher at DM458.40 on further consideration of its good German car registrations and the approval of Spanish state aid for its Seat subsidiary.

FT-SE Actuaries Share Indices

Nov 2					THE EUROPEAN SERIES			
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1414.46	1414.29	1413.98	1414.90	1414.11	1411.67	1408.78	1409.91
FT-SE Eurotrack 200	1527.33	1527.47	1526.93	1527.32	1526.73	1524.88	1521.80	1524.27
	Nov 1	Oct 31	Oct 30	Oct 27	Oct 26			
FT-SE Eurotrack 100	1403.39	1398.80	1387.73	1383.93	1374.41			
FT-SE Eurotrack 200	1515.16	1513.72	1500.44	1481.07	1493.34			

Base 1000 (26/10/90); Highday: 100 - 1415.36; 200 - 1530.04 Lowday: 100 - 1407.47 200 - 1521.44 † Partial

Still in cyclicals, Preussag and Thyssen rose DM2.30 to DM400.30 and shed DM3.60 to DM253 respectively after falling in tandem on their plans to introduce short-time working in their steelmaking. At CS First Boston, Mr Michael Geiger said steelmakers priced annual delivery contracts with big customers towards the end of the calendar year, and tried to avoid overstocking in advance of the negotiations, since price was more important than volume at this stage of the cycle. Preussag, meanwhile, had also talked of good results for 1994-95, and a 7 per cent rise in order intake for 1995-96.

MILAN was higher, following the firmer trend of the lira and deriving support from the cabinet's agreement to budget amendments from the senate. The Comit index picked up 8.57 to 589.88, while the Mibtel index added 80 at 9,436.

Ferruzzi reached an early high of L1,250 after Consob, the market watchdog, said Mediobanca would have to make a public offer for 10.7 per cent of the financial holding company, matching the stake that it bought last week. Analysts noted that market rules dictated that the merchant bank would also have to match the average price of last week's purchases of L1,590 a share. However, Ferruzzi subsequently slipped back to close L13 down at L1,186 on the view that the longer term value was around L1,100 a share.

Montedison gave up L23 to L1,071, after its steady recent climb, on disappointing results from Montell, its joint venture with Royal Dutch/Shell.

Trading in the troubled Banco di Napoli again failed to make an official price for much of the day. But in late trade the shares surged L135 to L954 on further speculation that it could find a rescuer in the shape of BCI.

ZURICH pursued its recent climb but found the air too rarefied. The SMI index finished 5.1 lower at 3,123.4, off a peak of 3,150, as the easing dollar, falling bond futures and profit-taking took a toll.

Recent favourites came under pressure, with Nestle down SFr10 to SFr1,191, Roche certificates losing SFr45 to SFr8,225 and Swiss Re falling SFr10 to SFr1,240.

In the opposite direction, Ciba seemed unstoppable in further response to Monday's news that it was to spin off its Mettler weighing machines division. The registered added another SFr10 at SFr1,015.

MADRID, too, lost much of its early enthusiasm and the general index closed 0.68 higher at 296.89.

This affected the reception of nine months' profits from Gas Natural, up 56.5 per cent at operating level, or by 20 per cent excluding the consolidation of Enagas from July last year. The shares hit a Pta17,400 peak before ending just Pta20 higher at Pta16,760.

Written and edited by William Cochrane, Michael Morgan and John Pitt

ASIA PACIFIC

Firm $ and high-tech sector take Nikkei ahead 3.2%

Tokyo

The Nikkei average, up 3.2 per cent, returned to the volatile pattern it has displayed on several occasions this year, writes Emiko Terazono in Tokyo.

A rise in the dollar to the Y103 level, and reports of an expected expansion of the global semiconductor market, left the 225-share index up 554.31 at 18,028.80 after a high of 18,039.86 and low of 17,532.68. The dollar topped Y103 for the first time since September 20 on selling prompted by worries over the Japanese financial system, while overseas investors bought semiconductor related stocks.

Volume jumped to 398m shares from 317m. Arbitrageurs with short positions bought back shares ahead of the long weekend. The Topix index rose 29.57 or 2.1 per cent to 1,435.52 and the Nikkei 300 added 5.59 at 269.08. Gainers outscored losers by 954 to 140, with 88 issues unchanged. The ISE/Nikkei 50 index put on 0.23 at 1,217.90.

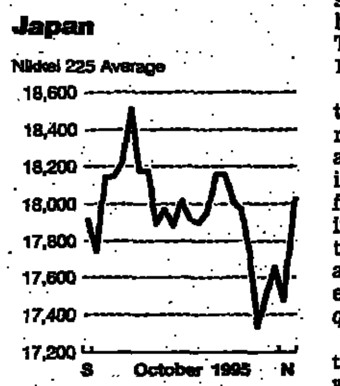
The yen was sold by US hedge funds, prompting buying of exporters, including high-technology and car companies. High-tech stocks were supported by reports that the global market for semiconductors would expand by 25 per cent next year.

Nikon, the semiconductor manufacturing equipment maker, rallied on overseas demand by Y90 to Y1,590. Other precision engineers were higher, Ricoh advancing Y30 to Y1,120 and Canon firming Y30 to Y1,830.

Chip makers followed. Toshiba rose Y25 to Y765 and NEC Y40 to Y1,400. Sony, battered recently by selling on rumours that its inventories in the US were building up, rallied Y190 to Y4,870 on short-covering.

Honda Motor put on Y90 at Y1,850, rising for the first time in six trading days. Investors were encouraged by reports that the company had regained third place in terms of shipments in October, following Toyota Motor and Nissan Motor. Toyota added Y20 at Y1,920 and Nissan Y37 at Y736.

Japan



Source: FT Extel

Speculative stocks were traded heavily. Takara Shuzo, the shochu distiller, was the most active issue of the day and climbed Y82 to Y957. Toho Zinc jumped Y36 to Y592.

In Osaka, the OSE average rose 344.35 to 19,468.26 in volume of 24.6m shares. Nintendo, the video game maker, moved ahead Y330 to Y7,780.

Roundup

Heavy selling by foreign funds, concerned about the circulation of false scrips, again pressured KUALA LUMPUR, leaving the market 1.9 per cent lower.

The composite index fell 18.26 to 923.52 as some dealers forecast further pressure from foreign funds looking for an excuse to sell Malaysian stocks. Volume swelled to 136m shares from the previous day's 71m.

Dealers said that investors, already worried by news of forged Genting share scrips, a favourite with foreign funds, were responding to speculation that shares of other major blue chips might also be forged. The KLSE said yesterday that Genting would resume trading on December 7 after all the shares had been registered and converted to scripless trading.

The downbeat mood spilled over to SINGAPORE, where Malaysian shares traded over the counter faced very heavy selling pressure. Reflecting the broader market, the Straits Times Industrial index eased 1.16 to 2,099.38.

SEOUL was lower in slow trade as investors remained reluctant to commit new funds ahead of the government's investigation into the slush fund scandal. The composite index lost 2.84 at 994.68, with the market taking in its stride a report that the heads of several large groups would be questioned by prosecutors.

Shares of companies linked to former president Roh Tae-woo, at the centre of the illicit fund scandal, remained weak. Sunkyong dropped Won500 to Won19,200, Hanbo Steel Won340 to Won8,000 and Dong Bang Won1,100 to Won26,100.

BANGKOK lost 1.7 per cent after a day marked by some foreign selling as well as sales on worries about rising inflation. The SET index closed 21.12 down at 1,244.52, after dipping to 1,238.27 on rumours, subsequently denied, of a possible baht devaluation.

HONG KONG edged lower, the Hang Seng index losing 33.03 to 9,749.36, in the absence of fresh incentives, with Hongkong Telecom's announcement of 14.8 per cent growth in interim net profits failing to inspire investors. HK Telecom gained 5 cents at HK$13.55 on bargain hunting after the results, up from a day's low of HK$13.40.

MANILA broke its 10-day losing streak as demand revived for blue chips. The composite index rose 28.35 to 2,489.08, although inflation fears and worries about the effects of typhoon Angela, due to hit Luzon Island in the central Philippines last night, continued to make for a cautious mood among many investors.

TAIPEI rebounded after five days of falls, on late buying of electronics and financial issues. The weighted index ended 24.98 up at 4,826.64 but turnover was a thin T$18.1bn.

Among electronics stocks, Winbond jumped the daily 7 per cent limit to T$88 and United Microelectronics rose T$2.5 to T$69.

The heavily weighted financials sector had China Bills 60 cents higher at T$34, as investors anticipated a further loosening of policy by the central bank.

SYDNEY closed firmer but spent the day rangebound, having failed to escape from a narrow seven-point trading band. The All Ordinaries index put on 2.0 at 2,057.7, with uncertainty over the timing of the federal election, due by next May, and concerns over Wall Street cited as the main reasons for the lack of interest.

KARACHI was weaker as investors, fearing more violence in the city, squared positions ahead of the Friday-Saturday weekend. Fifteen people were found shot dead in Karachi overnight.

The KSE 100-share index fell 16.44 or 1.1 per cent to 1,547.14.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by The Financial Times Ltd., Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by The Financial Times and Goldman Sachs in conjunction with the Institute of Actuaries and the Faculty of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 1 1995								TUESDAY OCTOBER 31 1995					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	52 week High	52 week Low	Year ago (approx)
Australia (82)	180.28	-1.1	169.32	117.41	132.76	157.75	-1.0	4.11	182.20	171.20	117.76	133.40	159.30	191.01	157.95	172.44
Austria (27)	172.51	-0.6	162.02	112.34	127.03	126.97	0.0	1.32	173.51	163.04	112.14	127.03	126.97	189.28	167.48	183.20
Belgium (35)	193.45	-0.5	181.70	125.98	142.45	138.94	0.0	3.77	194.43	182.70	125.66	142.35	138.94	201.12	164.78	170.79
Brazil (28)	135.15	-0.9	126.94	88.02	99.52	239.39	-0.8	1.76	136.38	128.15	88.15	99.85	241.45	188.35	86.08	176.86
Canada (100)	141.61	-0.3	133.00	92.22	104.27	138.05	-0.2	2.66	142.10	133.52	91.84	104.04	138.39	150.83	121.81	135.29
Denmark (33)	280.19	-0.7	263.16	182.47	206.33	209.29	-0.2	1.55	282.13	265.10	182.34	206.56	209.76	295.99	236.61	252.85
Finland (25)	224.76	-1.0	211.10	146.37	165.51	201.46	-0.4	1.59	226.95	213.25	146.68	166.16	202.28	276.11	171.13	197.47
France (100)	174.33	-0.4	163.73	113.53	128.37	134.39	0.0	3.26	175.10	164.53	113.17	128.20	134.39	191.17	157.79	171.68
Germany (59)	157.72	-0.7	148.14	102.72	116.14	116.14	-0.1	2.06	158.84	149.25	102.66	116.30	116.30	167.74	135.39	145.90
Hong Kong (55)	376.20	0.1	353.34	245.00	277.03	373.45	0.1	3.89	376.02	353.33	243.02	275.31	373.26	389.39	277.40	388.82
Ireland (16)	244.71	-0.2	229.84	159.37	180.20	213.51	-0.1	3.53	245.33	230.53	158.56	179.63	213.67	250.55	195.34	209.61
Italy (58)	71.80	0.0	67.44	46.76	52.87	85.48	0.0	1.78	71.79	67.46	46.40	52.57	85.48	82.71	65.45	79.89
Japan (483)	137.95	-1.1	129.57	89.84	101.59	89.84	-0.4	0.85	139.53	131.11	90.18	102.16	90.18	164.82	136.95	163.70
Malaysia (108)	456.66	-1.6	428.91	297.40	336.28	447.60	-1.6	1.84	464.26	436.28	300.07	339.94	454.72	561.96	398.16	535.32
Mexico (18)	923.41	-0.9	867.28	601.35	679.97	7304.51	0.4	1.90	932.31	876.05	602.55	682.59	7278.07	2155.31	647.81	2095.38
Netherland (19)	255.76	0.0	240.23	166.57	188.35	185.33	0.5	3.52	255.72	240.29	165.27	187.23	184.42	263.99	207.60	221.36
New Zealand (14)	80.47	-1.4	75.58	52.41	59.26	65.20	-0.7	4.38	81.64	76.71	52.76	59.77	65.67	85.49	69.56	76.70
Norway (33)	225.46	-0.7	211.76	146.83	166.02	191.04	-0.5	2.19	227.00	213.30	146.71	166.20	191.92	243.79	192.92	203.76
Singapore (44)	369.48	-0.4	347.03	240.62	272.08	241.10	-0.3	1.70	371.09	348.70	239.84	271.70	241.91	414.26	313.94	389.51
South Africa (45)	359.06	0.0	337.24	233.83	264.40	286.20	0.0	4.07	359.06	337.40	232.06	262.89	286.20	368.62	281.06	327.98
Spain (38)	146.66	-0.3	137.74	95.51	107.99	136.24	-0.0	4.18	147.11	138.23	95.07	107.70	136.24	160.51	124.10	143.33
Sweden (48)	308.26	-0.7	289.52	200.75	227.00	301.96	-1.1	1.96	310.50	291.76	200.68	227.34	305.37	320.43	225.80	242.68
Switzerland (41)	224.07	0.1	210.45	145.92	165.00	158.27	0.4	1.68	223.73	210.23	144.60	163.81	157.64	224.07	158.38	185.36
Thailand (46)	158.62	-0.2	148.98	103.30	116.81	155.14	0.0	2.65	158.87	149.28	102.68	116.32	155.13	184.55	130.15	182.54
United Kingdom (206)	224.19	-0.2	210.56	146.00	165.09	210.56	-0.3	4.07	224.68	211.12	145.21	164.50	211.12	227.31	187.07	205.47
USA (503)	239.34	0.5	224.79	155.87	176.24	239.34	0.5	2.47	238.22	223.85	153.96	174.41	238.22	242.04	182.33	191.28
Americas (549)	218.09	0.4	204.82	142.02	160.59	183.12	0.4	2.46	217.17	204.07	140.36	159.00	182.34	220.86	170.66	179.00
Europe (738)	193.72	-0.3	181.95	126.16	142.65	162.41	-0.1	3.11	194.30	182.58	125.58	142.26	162.57	199.02	163.04	175.75
Nordic (139)	278.98	-0.8	262.03	181.69	205.44	235.05	-0.6	1.67	281.09	264.13	181.67	205.80	236.93	295.02	215.79	232.53
Pacific Basin (832)	148.95	-1.1	139.90	97.00	109.68	100.17	-0.4	1.31	150.53	141.45	97.29	110.21	100.59	172.94	145.93	172.84
Euro-Pacific (1570)	167.52	-0.7	157.33	109.09	123.35	123.67	-0.3	2.18	168.68	158.50	109.02	123.50	124.00	178.33	154.73	174.00
North America (603)	233.30	0.4	219.12	151.93	171.79	232.57	0.4	2.47	232.28	218.26	150.12	170.06	231.54	235.91	178.86	187.81
Europe Ex. UK (532)	173.20	-0.3	162.67	112.79	127.54	136.22	-0.0	2.55	173.79	163.31	112.32	127.24	136.22	178.46	148.45	158.16
Pacific Ex. Japan (349)	251.98	-0.7	236.67	164.10	185.56	220.74	-0.6	3.33	253.76	238.45	164.01	185.79	222.11	266.72	211.19	263.17
World Ex. US (1761)	168.49	-0.7	158.25	109.73	124.07	137.16	-0.3	2.22	169.82	159.39	109.83	124.19	127.49	179.73	155.42	176.62
World Ex. UK (2058)	186.97	-0.2	175.60	121.76	137.68	154.48	0.1	2.12	187.38	176.08	121.11	137.19	154.39	191.32	163.46	177.30
World Ex. Japan (1781)	219.20	0.1	205.88	142.75	161.41	203.98	0.1	2.78	219.05	205.83	141.57	160.38	203.64	221.43	178.95	190.42
The World Index (2264)	190.22	-0.2	178.65	123.87	140.07	159.39	0.0	2.32	190.64	179.13	123.21	139.58	158.34	194.25	165.92	179.76

Latest prices were unavailable for this edition. Markets closed 1/11/95: Austria, Belgium, France, Hong Kong, Italy, South Africa and Spain.

'Tiger' alert shuts all schools in Sri Lanka

By Mark Nicholson in Colombo

The Sri Lankan government yesterday closed schools across the country and deployed additional troops in Colombo, bracing for possible reprisals from separatist Tamil Tigers as government forces closed on the Tiger-held northern city of Jaffna.

Aid agencies said fighting in the north could lead to a "humanitarian tragedy", estimating that at least 300,000 people had fled Jaffna and its surrounds into the heavy monsoon rains. Tens of thousands are believed to be gathered at Chavakachcheri, a small town east of the city.

The government said schools were closed after "rumours" in Colombo excited parental concern the schools could become targets of retaliatory attacks by the Liberation Tigers of Tamil Eelam, the separatist Tamil guerrilla group. Mr Dharmasiri Senanayake, cabinet spokesman, said no plans existed to close other public services.

Apprehension over reprisals in the capital is likely to grow as Sri Lankan forces advance in their campaign to oust the LTTE from Jaffna. Bombings in Colombo followed an army onslaught in July, while Tiger saboteurs were blamed for the bombing of two oil storage tanks in the capital late last month.

A military spokesman said the army's advance on Jaffna had slowed since earlier this week as government troops began entering heavily-mined, built-up areas on the fringes of the city. Brigadier Sarath Munesinghe said the army was "consolidating" its position 4.5km from the city's outskirts, while seeking to minimise the civilian casualties.

He believed civilian casualties had been "minimal". This was disputed by aid agencies working in the area. However, they said the growing refugee crisis could pose a greater threat to civilian life.

Aid workers, diplomats and other officials can only guess the extent of the refugee problem on the remote Jaffna peninsula, but a spokesman for *Médecins sans Frontières* said he believed up to half the population of Jaffna, estimated at 700,000-800,000 people, was on the move. "They have no food, no water, no shelter and the monsoon is here; you can imagine the disease problems this will bring," he said.

Brig Munesingh said fighting outside Jaffna had eased, with the Tigers turning to "infiltration" raids on army positions.

The military said the 18-day-old Operation Sunrise had left "close to" 1,000 Tamil Tigers dead and 3,000 wounded, against 221 Sri Lankan soldiers killed and 586 injured. The campaign has been one of the bloodiest in the 12-year-old ethnic struggle by the LTTE for a Tamil homeland.

After a failed attempt at talks earlier this year, the government is bent on inflicting a heavy defeat on the Tigers, depriving the group of the de facto Tamil "mini-state" it has established in Jaffna since 1991.

President Chandrika Kumaratunge hopes the campaign will persuade Tamils and LTTE supporters they have no "military option" and must address their claims for greater Tamil self-determination through her own devolution proposals.

Vietnam doubts on stock exchange

By Jeremy Grant in Hanoi

Vietnam's finance ministry yesterday cast serious doubts on the possibility of the country setting up a stock exchange soon. It cited a host of hurdles that still needed to be overcome before any bourse could start up.

"Only a general knowledge of the stock market has been introduced, while managerial and trading skills in the stock market seem to have been forgotten," said Mr Nguyen Cong Nghiep, director of the finance ministry's Institute for Financial Studies, writing an article in the official daily Vietnam News.

Mr Nghiep said the biggest obstacle Vietnam's planners faced was that few Vietnamese companies qualified for listing on any eventual exchange.

The legal basis for any exchange was still absent and preparations had been "insufficient.

"As far as shares are concerned, their issue is not meeting the requirements of a stock market. There is no distinction between public or common stocks or preferred ones," Mr Nghiep said.

"The stock exchange can only be established when it has sufficient and qualified 'goods' to trade, that is shares and bonds."

Vietnamese officials have for two years talked optimistically about stocks being traded on a Vietnamese exchange by 1996 at the latest.

But Mr Nghiep's comments and those of the finance minister, Mr Ho Te, last week, doubting the 1996 deadline, appear to signal Vietnam's recognition that an exchange is still a long way off.

Vietnam still has about 6,000 companies owned by government ministries, provincial authorities, the army and other official agencies. Of these, only three state companies have been "equitised" so far.

Economists say poor accounting standards, slow privatisation and the existence of large numbers of loss-making state-owned enterprises are the main stumbling blocks to setting up an exchange.

Vietnam has said it wants to see the exchange operating in the southern industrial centre of Ho Chi Minh City.

ASIA-PACIFIC NEWS DIGEST

Tokyo orders ban on Merrill

Japan's finance ministry yesterday ordered a partial suspension of the Tokyo operations of Merrill Lynch, the US investment bank, in punishment for the company's violation of stock trading rules. The two-day ban, to begin next Tuesday, will apply to the Tokyo branch's arbitrage trading section, Mr Kyosuke Shinozawa, senior ministry official said. The section would be prohibited from engaging in stock trading through the two days.

The ministry accepted the recommendation last week of the Securities and Exchange Surveillance Commission, which had earlier found Merrill in breach of rules prohibiting stock trading in companies with which it had underwriting contracts. Such trading is permitted only to stabilise prices during a period of volatility after issuance. The company's action fell outside that definition, the authorities said, while accepting Merrill had not intended to manipulate share prices.

Merrill, the largest US investment bank, becomes the first foreign broker to suffer punitive measures on the commission's recommendation. *Gerard Baker, Tokyo*

Japan group hunts ex-manager

Mori Denki, a Japanese maker of explosion-proof lighting equipment for petrochemical complexes, said yesterday it would file a complaint against one of its former executives who allegedly embezzled about Y2.1bn (£13m) of company money. The former executive is said to have used fake certificates of deposit balance and other means to withdraw the money over about 20 years from the company's accounts with Tokyo Kyowa and Anzen, two credit unions which collapsed late last year.

The executive left the company in June and has been missing since. Mori Denki, listed on the second section of the Tokyo Stock Exchange, said that as a result, it made a net loss of some Y2.79bn for the first half to September, on sales of Y1.26bn. *Agencies, Tokyo*

US and Seoul in talks on troops

The US and South Korea will hold negotiations on possible changes in the Status of Forces Agreement that governs the legal status of the 36,000 US troops in Korea, Mr William Perry, US defence secretary, said in Seoul yesterday. The US offer is meant to mollify South Korean anger about a perceived growth in crime by US soldiers.

Seoul is demanding the right to detain US soldiers accused of serious crimes, such as rape and murder, before they are formally indicted, instead of allowing them to remain in the custody of the US military until trial proceedings end.

The US recently granted similar concessions to Japan in the wake of an alleged rape case involving three US servicemen in Okinawa, but US officials warned that the same rights might not be given to South Korea. *John Burton, Seoul*

HK port problem unresolved

British and Chinese officials ended a three-day meeting in Beijing yesterday without resolving their differences over development of Hong Kong's container port, or the award of a fresh batch of mobile telephone licences.

British officials had hoped that the 34th meeting of the Joint Liaison Group, the body charged with negotiating the fine detail of the colony's reversion to Chinese sovereignty in 1997, would yield agreements on air services between Hong Kong and Thailand, Singapore and South Korea.

Mr Hugh Davies, British team leader, said the meetings had been "businesslike though sometimes difficult". Some "good progress" had been made on legal matters and he was confident the two sides would be able to complete work on such topics before the handover. He noted some "positive momentum" in talks about immigration issues.

China agreed that various international treaties relating to protection of intellectual property could be extended beyond 1997. *Simon Holberton, Hong Kong*

S Korea's establishment unravels

Slush fund probe set to end business-politician alliance, writes **John Burton**

The televised tearful confession last week by Mr Roh Tae-woo, the former South Korean president, that he possessed a Won500bn (£410m) slush fund could be the death knell for the political establishment that has dominated Korea for three decades.

The widening scandal is threatening to implicate the country's leading politicians in both the ruling and opposition parties because of allegations that they accepted money from Mr Roh's secret hoard, which was financed by "donations" from the country's big industrial groups.

The events unfolding in Korea could provide the most extensive examination yet of the web of corrupt links between politics and business, which President Kim Young-sam has described as "the Korean disease".

Mr Kim has promised a "thorough probe" of the Roh affair. But doubts remain about how far prosecutors will be allowed to conduct their investigation because of its potential political ramifications, including the threatened disintegration of the ruling Democratic Liberal party (DLP) and possible damaging revelations about Mr Kim's links with Mr Roh, his former political ally.

Mr Kim, a former dissident, joined Mr Roh's DLP in 1990 and later received the party's nomination, with Mr Roh's endorsement, as its candidate in the presidential election of 1992.

The three opposition parties are accusing Mr Kim, who has been a strong advocate of clean politics, of using Mr Roh's illegal slush funds to finance his campaign.

Mr Kim denies that he personally received money from Mr Roh, although he admits that some ruling party funds used in his campaign could have come from the former president.

The scandal could not come at a worst time for Mr Kim, who suffered a severe setback from the results of local elections in June and who faces a tough campaign in parliamentary elections next April.

The government is already in danger of losing its parliamentary majority as conservative MPs of the ruling party bolt to a new right-wing group, the United Liberal Democrats (ULD), headed by Mr Kim Jong-pil, a former DLP chairman.

The defections are the result of a power struggle within the DLP between President Kim's moderate minority faction and the conservative majority faction associated with the previous military-backed governments, including Mr Roh's.

But President Kim may yet survive the present political turmoil. A "thorough" investigation of the Roh affair could discredit his two main political opponents: Mr Kim Jong-pil, and Mr Kim Dae-jung of the National Congress for New Politics (NCNP).

Mr Kim Dae-jung, the leader of the biggest opposition party, has already confessed that he received a Won2bn contribution from Mr Roh for his 1992 election campaign against President Kim, while Mr Kim Jong-pil has been accused of accepting Won10bn from Mr Roh.

Mr Roh leaves the prosecutors' office

A vigorous prosecution of Mr Roh would also strengthen the reputation of President Kim, the country's first civilian leader in three decades, as a fighter against corruption and supporter of democratic rights.

The president has suggested he will sanction the arrest on corruption charges of Mr Roh, an unprecedented act against a former Korean head of state. He has also hinted Mr Roh may face possible prosecution for his alleged role as a military commander in the 1980 Kwangju massacre, which has been described as "Korea's Tiananmen".

Such a strategy carries political risks for the president because it could accelerate the defection of Mr Roh's supporters from the ruling party and lead to its collapse.

But some political analysts believe that President Kim already has a fall-back position in case that happens. This would be a creation of a new government party through a merger between the president's DLP faction and the moderate opposition Democratic party, which includes several of Mr Kim's former allies against military rule.

In the murky world of Korean politics, there is intense speculation that President Kim may have been secretly co-operating with the Democratic party to expose the Roh slush fund and damage his political opponents.

The existence of Mr Roh's fund was first disclosed to journalists by a close aide to President Kim in August, while a Democratic party MP provided the crucial evidence that led to Mr Roh's confession last week.

There is an important reason why the president would want to play such a high-stakes political game. If the ULD and NCNP gain the necessary two thirds of the National Assembly seats next spring, they have promised to change the Korean constitution and switch from an executive to a parliamentary system, which would rob President Kim of much of his power.

Company chiefs to be quizzed

South Korean prosecutors will soon begin questioning business leaders about allegations that they bribed Mr Roh Tae-woo, the former president, to gain lucrative defence and infrastructure contracts during his 1988-1993 term, they said yesterday, writes John Burton.

Mr Roh last week confessed he had amassed a $650m (£410m) fund from what he described as voluntary political contributions from leading South Korean industrial groups.

During more than 16 hours' interrogation by prosecutors on Wednesday, Mr Roh refused to provide further details about the business donations and how he used the funds.

Mr Chey Jong-hyon, who heads the Federation of Korean Industries, is expected to call an emergency meeting today of the group, which represents the main conglomerates, to discuss the widening investigation into alleged business corruption.

Mr Chey, also chairman of the Sunkyong group, is believed to be a focus of the inquiry because he is related by marriage to Mr Roh. Sunkyong is Korea's fifth biggest conglomerate, with interests in oil refining, petrochemicals, telecommunications and shipping.

The FKI is expected to issue an apology for alleged past "collusion" with Mr Roh, while promising to sever ties between business and politics. Executives from the medium-sized Hanbo, Dongbang and Hanyang groups are expected to be among the first to be questioned.

US link 'must not dilute Britain's EU role'

By Bruce Clark, Diplomatic Correspondent

Mr Malcolm Rifkind, the foreign secretary, stated firmly yesterday that his support for a strong transatlantic link did not in any way mean that Britain should opt out of European affairs.

In a speech designed to correct any impression that he is a convinced Eurosceptic, the foreign secretary made clear Britain should play a key role in European affairs as well as shoring up ties with the US.

"It is often assumed that there is a conflict between our European and Atlantic interests, that Britain must choose where its destiny lies," he said. "That is an assumption which I completely reject.

"In advocating a strengthened transatlantic identity I must emphasise that this will not be at the expense of our participation in the European Union," said Mr Rifkind, who took office this summer with the reputation of being a "moderate sceptic" in his attitude to the EU.

Mr Rifkind has repeatedly called for the consolidation of transatlantic relations by creating an ever-larger free trade area, and by re-emphasising the values which are common to all western democracies.

But he stressed yesterday that his calls for better ties with North America referred to the European Union as a whole, and not just to Britain.

He had never suggested that Britain could abandon its European partners and chart a relationship of its own with the US and Canada.

He said Europe needed US help with defence, given that it would require up to $100bn a year, and an increase of 60 per cent in real defence spending, for the EU nations to replicate the military facilities they now receive from Washington.

But this did not exclude a gradual upgrading of the 10-nation Western European Union, the embryonic defence grouping, and improvements in the WEU's ability to shoulder humanitarian and peace-keeping missions. Mr Rifkind reaffirmed Britain's acceptance of the principle that Nato should in due course expand eastwards, but he said this must be carefully considered, and combined with an opening to Russia.

"In financial terms alone, the implications of integrating new (Nato) members are potentially huge," he warned, adding that "Nato enlargement can only be part of a wider strategy of opening to the east."

Referring to western Europe's relationship with Russia, which strongly opposes Nato's bid to expand, he said "there needs to be understanding on both sides."

"We must show understanding for Russian concerns, for the right of 25m Russians abroad, and for the perception, mistaken though it may be, of exclusion and encirclement." He added, however, that "Russia must understand our attachment to the stability Nato membership offers, and the legitimate desire of central Europeans for closer links with their Western neighbours."

Tourism industry 'fails to meet international standards'

By Scheherazade Daneshkhu, Leisure Industries Correspondent

Some of Britain's share of the growth in world tourism is being lost because of the tourism industry's slow response to the needs of visitors, the British Tourist Authority said yesterday. There is also a reluctance to be measured by international standards, it added.

Mr Anthony Sell, the authority's chief executive, said the British tourism industry was likely to attract a record number of visitors this year.

But "it has to match up to other countries in terms of its cleanliness, comfort, quality of service and warmth of welcome" in order to avoid falling behind its competitors, he added. This included "small but important" services such as providing menus in languages other than English.

The British Tourist authority is adopting many marketing tactics to appeal to visitors from other countries. It is promoting golfing holidays to the Spanish and motorcycling holidays to the Dutch. The number of registered motorcycles has more than doubled in the Netherlands in the past 10 years. Americans like the British theatre while Koreans and Taiwanese are attracted by traditional images of Britain such as taxi drivers and policemen, says the authority. But it finds that the Japanese regard the British way of life as bland.

In Norway, meanwhile, high-earning women in their mid 30s are an important market segment. They like to travel together to escape their husbands and families, says the authority.

Accommodation in London needed to improve, particularly in budget hotels, said Mr Sell. Recent research for the authority had found that 30 per cent of overseas visitors did not feel they had received value for money from serviced accommodation in London. "This is an international business and customers are making international comparisons," he said.

Last year 21m overseas visitors came to Britain and spent a total of almost £10bn ($15.8bn). This was an increase of 8 per cent in the number of visits and 6 per cent in expenditure compared with 1993, well above the global average increase of 3 per cent in tourist arrivals and 5.1 per cent in US dollar receipts. Figures for the first eight months of this year show an 11 per cent increase in visitor numbers compared with the same period last year, with spending rising by 12 per cent.

Where the visitors came from (1994)

	Thousands of visits	change on 1993 (%)	Spending in £m	change on 1993 (%)
US	2,979	+6	1,800	+2
France	2,779	+11	474	-8
Germany	2,517	+7	788	0
Rep of Ireland	1,677	+15	581	+32
Netherlands	1,204	-1	299	+2
Belgium/Lux	1,035	+10	222	+13
Italy	826	+4	406	-1
Spain	697	-4	322	-3
Japan	588	+20	410	+14
Canada	571	-3	266	-7
Australia	562	+13	387	+6
Switzerland	474	-5	240	-12
Norway	336	+9	143	+8
Denmark	333	-3	101	-18
S Africa	261	+17	233	+25
Gulf States	214	-2	310	-9
Israel	209	+41	143	+77
Greece	166	+19	117	+9
Poland	161	+101	70	+84
Hong Kong	151	+11	156	+8
Russia	119	+61	88	+66

Sources: International Passenger Survey, UK and Irish Central Statistical Offices

However, Britain's share of international tourism receipts has fallen from 6.7 per cent in 1980 to 4.7 per cent last year. Although Britain regained fifth position in the world tourism league last year, Mr Sell warned that "at the present growth rate of our major competitors, Britain could slip back to eighth position by the year 2000."

Dame and Queen Mother defeat sale

By George Parker and Stewart Dalby

The government has shelved plans to privatise the port of Dover in the face of opposition from a campaign involving three of the most emotive icons of British patriotism - the Queen Mother, Dame Vera Lynn and the white cliffs.

Sir George Young, transport secretary, has decided to delay the sale beyond the next general election, after it emerged that the French port of Calais was a possible buyer.

News of the delay came only hours after Dame Vera, Britain's wartime sweetheart, made an emotional appeal to halt the sale.

News that Calais was interested in buying Britain's busiest passenger port prompted a huge campaign of opposition. The Queen Mother, as Warden of the ancient Cinque Ports, passed on the concerns of the people of Kent to Sir George.

Yesterday the Labour party mobilised Dame Vera, who immortalised the white cliffs of Dover in a wartime song, to join the campaign. At a Westminster press conference, she said: "It just seems incredible that such a thing should even be considered. I can't think of anything that symbolises Britain more than the white cliffs."

Police open onslaught on growth of fraud in City

By Stewart Dalby in London

Police in the City of London yesterday launched what they described as a major initiative against fraud. "The explosion of technology and the internationalisation of business has meant that fraud has risen markedly in recent years," said City of London Police Commissioner Mr William Taylor.

An updated brochure called Fraudstop has been produced by the police and Coopers & Lybrand, the accountancy firm, and will be distributed to companies in the City. It contains details on preventive measures which organisations can take.

There is significant potential for fraud in the City, Mr Taylor added. The "Square Mile" is home to 520 banks and 170 security houses from 75 countries as well as a multitude of other businesses.

"We hope Fraudstop will increase awareness among businesses, halt complacency and encourage more and more companies to report fraud," said Mr Taylor.

"Safeguarding the reputation of the City as a world financial centre by preventing and detecting fraud is a Force priority."

The value of fraud cases handled by the Serious Fraud Office and the Crown Prosecution throughout Britain in 1994 was £10bn ($15.8bn). That was eight times the value of theft and burglary in England and Wales and five times the cost of retail crime.

Money obtained through fraud in the City of London in the year which ended on March 31 amounted to £40m, said the police. Nearly £20m was recovered.

The total obtained and attempted to be obtained was put at £195m , meaning that the money recovered and saved from attempted fraud was £174.5m.

Rise in pay for top directors becomes steeper

By Robert Taylor, Employment Editor

Median earnings of Britain's highest paid directors are rising at a rate nearly three times that of the rest of the workforce.

Top board members saw their median earnings go up 8.8 per cent in the 12 months to May compared with 5.8 per cent in the previous 12 months. Median rises in earnings for the whole workforce are now running at 3.25 per cent.

The increase for directors reverses a five-year downward trend in the level of senior executive salary rises.

The findings are published in the annual study of earnings for company chairmen or chief executives published today by the independent remuneration advisers Monks Partnership.

Total earnings (including bonuses and incentives but not share option proceeds) increased by 23.4 per cent in the 12 months to May for those in the upper quartile of highest paid directors compared with 13 per cent in the previous 12 months. But there was no increase for chief executives or chairmen whose earnings fell in the lower quartile of the highest paid. Earnings rises for the highest paid directors in smaller companies with annual turnovers of less than £20m went up by 5 per cent.

The survey – based on information in the annual reports of nearly 1,500 UK listed companies – also shows the importance of annual bonuses in the earnings packages of the highest paid executives. These amounted to a median of 19.2 per cent of total pay in industry and 23.2 per cent in the financial sector.

The largest total earnings increases were secured by the top directors in building materials manufacturing and construction, with a 12.5 per cent median improvement. They were followed by increases for chairmen or chief executives in investment management trusts (11.7 per cent), media and leisure (10.4 per cent), metals and mechanical engineering (10.3 per cent), building societies (9.5 per cent) and retail distribution (9.1 per cent). The survey also identifies 19 listed companies where the chairman or chief executive secured total earnings above £1m ($1.58m) in the 12 months ending last May.

UK NEWS DIGEST

Thomson Corp agrees sale of newspapers

Thomson Corporation is expected to announce today that it has sold its Edinburgh-based newspapers The Scotsman and Scotland on Sunday to the reclusive multimillionaire Barclay Brothers. An agreement in principle has already been reached and the final details of the contract were being negotiated last night. The purchase will be be the biggest move into the media by the Barclay Brothers. The identical twins saved The European newspaper from collapse after the death in 1991 of its founder, Robert Maxwell.

Raymond Snoddy, Consumer Industries Staff

Cabinet agrees tax cuts

A merger of social security payments to single parents with other benefits, combined with a freeze on help to them, was one of the more contentious decisions taken in yesterday's cabinet discussion of public spending. The meeting, in which most big departments agreed sharply squeezed budgets for next year, sets the government on course for agreement on Monday of a £260bn ($410.8bn) control total of expenditure, £3bn less than the sum earmarked a year ago. A Downing Street official said "most of the programmes have been settled". He added that discussion would be "concluded" on Monday. The meeting also prepares the ground for a £3bn package of tax cuts in the Budget on November 28, say senior members of the government. Pressure on Mr Kenneth Clarke, chancellor of the exchequer, to deliver a populist tax-cutting budget was increased yesterday when an opinion poll showed that the opposition Labour party now has an unprecedented 39.5 per cent lead over the Conservatives. *FT Political Staff*

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Low-budget hits high spot

Top UK films

By box-office takings, Oct 27-29

1. Pocahontas
2. Nine Months
3. Clueless
4. Under Siege 2
5. Apollo 13
6. To Die For
7. Species
8. Braveheart
9. Mortal Kombat
10. The Net
11. Casper
12. Haunted
13. The Usual Suspects
14. Land And Freedom
15. Assassins

Source: Screen International

Gus Van Sant's quirky comedy *To Die For* was the highest grossing film in London last week, according to Screen International. The film, which also went straight into the national top 10 at sixth place in its first week on release, is the latest in a run of low-budget box office successes. *Il Postino*, Michael Radford's sub-titled film about an Italian postman, is number six in last week's London top 10. *Land and Freedom*, Ken Loach's Spanish Civil War saga, is at eight. Brian Singer's US thriller *The Usual Suspects* has grossed £4.43m in 10 weeks on release. Traditionally low budget films have been lucky to take more than £500,000. The popularity of low budget films coincides with a renaissance in the art cinema market. The Ritzy cinema recently reopened in south London after an expensive renovation as the capital's first arts miniplex. *Alice Rawsthorn, Consumer Industries Staff*

Little, Brown to buy Virago

Little, Brown – an offshoot of Time Warner, the US entertainment and media group – has agreed to buy Virago, the feminist imprint. Virago has been one of the most dynamic forces in British publishing since its foundation in 1973. Its Modern Classics series, with its distinctive dark green jackets, has brought the work of dozens of women writers back into print after years of neglect. But the company has faced financial difficulties because of the competitive state of the book market. Its problems were aggravated in late September by the collapse of the net book agreement, the industry pact that had prevented retailers from discounting the price of new books since 1900. *Alice Rawsthorn*

MPs are offered compromise

A group of Conservative backbench MPs was last night considering tabling a compromise motion to help stave off a possible government defeat in next Monday's vote to impose new regulations on MPs' business activities. The amendment being drawn up would force disclosure of a wide range of outside earnings, but only after the next general election. Many Tory MPs heavily involved with consultancy work intend to leave the House of Commons. Mr Tony Blair, the Labour party leader, accused Mr John Major, the prime minister, of giving in to the "squalid, monied interests of the Conservative party". He asked: "Just what do you and your party have to hide?"

John Kampfner, Westminster

Philip Stephens, Page 12

More troops to quit Ireland

More British troops are to be withdrawn from Northern Ireland. About 600 men of 45 Commando of the Royal Marines, based near the border with the Republic of Ireland for the past six months, are due to leave Ireland at the end of the month and will not be replaced. It is the third big redeployment of British troops since the IRA ceasefire 14 months ago. About 800 men of the Royal Artillery and 150 of the Royal Signals have already been withdrawn. *PA News*

Book on graves wins: A book entitled *Re-Using Old Graves* won Bookseller magazine's Oddest Title of the Year award beating a strong list of contenders including *Virtual Reality: Exploring the Bra* and *The History of the Concrete Roofing Tile*. This year's winner was submitted by an Army librarian. Previous winners include *How to Avoid Huge Ships* and *Proceedings of the Second International Workshop on Nude Mice*.

Trades Union Congress Staff reduced as income from members drops

Cash-starved workers lose free lunch

By Robert Taylor, Employment Editor

Britain's once-mighty Trades Union Congress plans to cut its full-time staff by 15 per cent and save up to £600,000 ($942,000) on its current salary bill in a financial stringency drive designed to eradicate a deficit caused by falling membership income.

The organisation which represents almost all UK trade unions also intends to save money by ending the provision of breakfast for its full-time staff and by requiring them to pay for their lunch. Nursery facilities are to be withdrawn from students attending the TUC education centre.

At the same time the TUC intends to launch a new strategy in the run-up to the next general election, designed to turn itself into a more aggressive campaigning organisation on issues such as job insecurity, creation of labour standards, full employment, the national minimum wage and on how unions can represent part-time workers.

Union leaders agreed earlier this week to back the sweeping internal changes which were recommended by Mr John Monks, the TUC's general secretary. "We need to make significant savings in our cost structure", said the TUC in a confidential document presented to the meeting.

It points out that under the assumption of a 2.5 per cent fall in union membership over the next twelve months and a 3.5 per cent inflation rate, the TUC would incur a £450,000 administrative deficit if no action was taken to reduce net operating costs.

Thirty full-time staff are to leave Congress House headquarters by Christmas. The TUC hopes these job cuts can be achieved through early retirement and voluntary redundancy but some employees will also be transferred to other posts in the organisation. There will be no voluntary redundancies.

The cut in staff will cost more than £1m in initial restructuring and the money will be drawn from the TUC's separate development fund.

The number of union members affiliated to the TUC fell by 5 per cent last year to 6.9m – the lowest level since 1946. Although membership continues to slide from its post-war peak of 12.1m in 1980, some unions have increased their numbers – mainly those representing professional and white-collar workers such as teachers, hospital doctors, consultants, probation officers and pilots.

The TUC general council also agreed to further planned reforms, including more efforts to raise revenue through the use of TUC headquarters facilities as a conference centre. A business plan is being prepared to develop the TUC's education centre in north London. The TUC has lost £1m a year from the government who will no longer help fund training programmes.

It is also to appoint a new finance manager to tighten up budget controls and overhaul its management services.

Ballet/Clement Crisp

Bravura of Baryshnikov

Genius: no other word will do. Last week Mikhail Baryshnikov, opening a Paris season with his White Oak company at the Opéra Comique as part of the Festival d'Automne, was dancing more gloriously than ever.

We first saw him in London in the summer of 1970. He was 22 years old. At that debut on the stage of the Festival Hall – in a solo, *Vestris*, made for him by Leonid Yakobson – he was plainly a marvel. Boyish, he produced miracles of movement out of nowhere. The dance soared like a rocket, and exploded in bursts of virtuosity that hung glittering in the air. With his decision to stay in the west, his repertory was extensive, astonishing in its range as in his dazzling response to it. (From Twyla Tharp's *Push Comes to Shove* to Ashton's *Rhapsody*, by way of Balanchine, Petit's *Pique Dame* and the traditional classics, he was seen as impeccable in drama, and so near flawless in technique as to make one doubt one's eyes.)

In the late 1980s knee-injury brought an end to the toughest demands of the academic dance. But with the White Oak Project, a troupe of fine soloists concerned with modern choreographies on chamber scale, Baryshnikov's gifts found not so much a second wind as fresh and astonishing diversity, with work from Tharp, Mark Morris and newer creators.

Watching him now, 25 years after his London debut, I still see the marvels of bravura in timing and dynamics, the clarity and classic integrity with which Pushkin, his Leningrad teacher, endowed him. But he now looks even more fascinating, even more like a god of the dance, more truly Vestris – who was called *Le Dieu de la Danse* – than when he was a young man.

His speed is still astounding, the richness of style unique. The dance is fired by a blaze of energy, musical wit, dashing physicality. At an age when most danseurs offer apologies for past glory – as Max Wall said of his own mad steppings: "What you're seeing now is a *remnant*" – Baryshnikov gives us bravura.

He engages in a dialogue with the music, with the audience and a ballerina who fails to appear

He featured in three of the White Oak pieces last week. Most important was Twyla Tharp's *Pergolesi*. Tharp writes for Baryshnikov as for an *alter ego*: they share the same acute sense of rhythm, the same electric response to dynamics.

Dressed in white, Baryshnikov engages in a dialogue with the music, with the audience, with his art, and also in a very funny moment, with a ballerina who fails to appear. The choreography is a stream of consciousness in which he reminisces and makes the most fleeting jokes (micro-seconds from the classics whizz past), but most important, responds to the music with dizzying skill. He seems to contemplate his own career, and explores every idea Tharp produces with a wit that is dramatic as well as physical. And his dancing, as ever, takes the breath away. I count myself greatly fortunate to have seen so much of Baryshnikov's career. Without this performance, my view would have been both incomplete and poorer.

His second big solo is *Unspoken Territory* by Dana Reitz, danced in silence. Baryshnikov appears wearing an ochre chiffon outfit which, charitably, suggests he is Daphnis in search of Chloe. (The only alternative is to suppose that he has been invited to a somewhat ambiguous ball.)

The dance is less than stimulating, but Baryshnikov invests it with such power, is so absolute in his control of every moment – a single finger moved is vital; a pose, seated with his back to us, is fascinating – that we believe and are moved. No other dancer could take on the Tharp solo. No other dancer should ever be allowed to attempt this Reitz opus.

In Joachim Schlomer's *Blue Heron* Baryshnikov is part of an ensemble which explores allusive and oddly touching dances set to Schnittke's *Suite in Olden Style*. As with Kraig Patterson's *Make like a Tree*, which uses Ginastera's first string quartet, we see unexplained but intense dramas couched in movement that is both oblique and pertinent in its attitudes. In *Blue Heron* the admirable Jamie Bishton appears as focus for much of the dance.

In *Make like a Tree* the cast wear leotards with red weals that suggest some fearsome disease (and not difficult to guess what it might be). They are a community beset by tragedy, yet finding some hope in their response to their plight. What matters is that Patterson, like Schlomer, has produced cogent choreography, magnificently danced by the ensemble. And completing the programme, Merce Cunningham's *Signals* – insufferable score; beautiful dances – in which Patricia Lent is a perfect presence, her line as sure and telling as Picasso's in any drawing. But all this must seem incidental to what Baryshnikov does, and what he does is to show himself a genius of the dance.

Katz Pictures

Baryshnikov in form: a glorious dancer

Sponsorship/Antony Thorncroft

Football finds a soulmate

The arts and sport, which for years were scarcely on nodding terms, are being thrust together by events. They are both recipients of lottery funding, and the Foundation for Sport and the Arts financed by the football pool has been a generous benefactor of both. Now they are being twinned by arts sponsorship.

Soccer clubs, in particular, are realising that the arts can soften the image of football, and widen the audience for the game. Leicester City is getting together with its local commercial sponsor Walker Crisps to provide £6,000 (doubled to £12,000 under the government-financed Pairing Scheme for new sponsors) to the Leicester Comedy Festival. The cash will underwrite the play *Fever Pitch*, based on the book by the football crazy Nick Hornby.

Gary Lineker, one of Leicester's most famous sons, and the advertising face of Walker Crisps, has agreed to help out at some of the educational workshops linked to the project.

This is not the first time that a club has sponsored the arts. Last year Leyton Orient won an ABSA award for using the arts to counter racism in football. It spent £35,000 (doubled by pairing) on commissioning a play, *Kicking Out*, which toured local schools. This summer Arsenal was one of the sponsors, with £10,000 (doubled), of the first Islington Festival, and non-league Enfield Town also used a local multicultural arts festival to attract a new audience to its stadium.

Now rugby is joining the game. To celebrate its centenary the Rugby Football League is putting £6,000 (doubled by the Pairing Scheme) behind 10 performances of John Godber's rugby play *Up and Under* at the new Lawrence Batley Theatre in Huddersfield. Players will be on hand to encourage the children in the audience.

Meanwhile Batley Rugby League Club is attempting to broaden its family appeal by commissioning two sculptures from Public Art to beautify its grounds. The artists selected are Jeremy Cunningham and Mick Kirby-Geddes, and once again the £10,000 contributed by the club has been doubled.

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The annual Association for Business Sponsorship of the Arts Awards has a new sponsor – the Financial Times.

The 10 awards are given to those companies that have made the greatest and most imaginative contribution to arts sponsorship in the UK. The annual prize-giving, often attended by a member of the royal family, is the centre-piece of the arts sponsorship year.

The first awards under the new regime will take place next May, and cover from September 1994 to February 1996. They will reflect recent changes in the industry, with the importance of arts sponsorship in the overall marketing programme of a company acknowledged with the replacement of the prize for the best corporate programme by an award for the best strategic sponsorship.

There will also be a new prize, the FR-CEREC Award, which will go to the company that uses arts sponsorship most effectively on a pan-European basis. Fiat might win with its ambitious programme in Italy, or Daimler-Benz could take the award for its work in Germany. Or it might go to a trans-European campaign.

The FT has signed up for three years, according to ABSA, at an annual cost of around £50,000. The awards are especially commissioned works of art. For more information about entering contact ABSA on 0171-378 8143.

ABSA has also managed to preserve the Goodman-Garrett Awards, which go to individuals who have made a significant contribution to arts sponsorship. Last year the publishing company Reed Elsevier ended its essential funding of the prizes. But its former chief executive, Peter Davis, is so committed to arts sponsorship that he persuaded his new company, Prudential, to rescue the event.

The ceremony will be held at the British Museum on November 27, with the Prudential paying for the reception and Allied-Domecq supplying the drink. By coincidence, they are the two biggest corporate sponsors in the UK.

The FT is owned by Pearson, which sponsors one important exhibition in London each year, at a cost of around £250,000. For 1995 it is Dynasties, the paintings of Elizabethan and Jacobean England, which has just opened at the Tate. Next May it will be a centenary show of William Morris at the Victoria & Albert, and for 1997 the first important exhibition for many years devoted to the French pointillist artist Seurat will be supported at the National Gallery.

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Arts sponsorship in London might be performing under par but there is still growth in the regions. This is especially true in West Yorkshire where the Halifax Building Society has raised its local sponsorship support from £50,000 to £300,000 in the past year in an attempt "to get closer to people".

A big beneficiary is this month's *Huddersfield Contemporary Music Festival*, which is sponsored for the first time in a significant way. The Halifax is also funding a CD of ballet music by the Northern Ballet Theatre Orchestra and a tour of Opera North's production of *Hamlet*, while the Leeds-based *Phoenix Dance Company* has created a new ballet which aims to personify the company, "Never Still".

Sometimes help for a northern company can benefit the capital. The Prudential is underwriting the London season of the West Yorkshire Playhouse's production of *King Lear*, starring Warren Mitchell, which opens at the Hackney Empire on Thursday.

The Playhouse won the drama category in the Prudential arts awards last year, and although the Pru usually supports its category winners with marketing advice, or other big company expertise, in this case it is willing to risk some cash.

Opera/Martin Hoyle

'La Belle Hélène'

There is a terrible movement afoot: authenticity. Not the recreation of original musical sound but its extension to the spoken word. First we had the Covent Garden *King Arthur* in which the usually admirable director Graham Vick boasted of not having cut a line of Dryden's 15th-rate fustian. And now we have Scottish Opera investing Offenbach's comic celebration of myth's most famous result of anthropo-avian miscegenation with interminable and presumably expensively commissioned dialogue.

The newly produced *La Belle Hélène* lasts 3½ hours. Scottish Opera recently announced they were cutting their activities as a result of economic stringency. They could start by shearing their Offenbach by a third of its running time.

Admittedly it was a good choice to commission John Wells, scholar and wit, to find the equivalent of Meilhac and Halévy's satirical barbs at the Second Empire, but in the event it falls flat. Of satire there is scarcely a whiff: of bad sitcom jokes one or two ("It's all Greek to me!" they exclaim in this Asterix-type historicism; "How golden delicious!") and a few funny ones.

The unexceptionable production by Patrice Caurier and Moshe Leiser gets some decent performances from the leads, and steers clear of the ham-fistedness that often attends British Offenbach. Anne Howells, one of the opera stage's most beautiful women (and victim of at least one awful London Offenbach production), is Helen of Troy: unwontedly blonde, with a hair-style similar to Evelyn Laye's when C.B. Cochrane annexed *Hélène* for the West End more than 60 years ago.

She has a deliberate way with spoken lines, a rich mezzo (this Helen is something of the mature, sensual older woman that French, and possibly English, schoolboys dream of) and a sense of style. Her Paris is the American Tracey Welborn whose well-schooled lyric tenor tightens above the stave and whose seducer's cod-French accent emerges from the facial whiskers of the young Prince Consort.

Visually, the Hellenic is tempered with allusions to Offenbach's own time. The stage bristles with Dundrearies and mutton-chop whiskers. That young blood Orestes (Ann Taylor, stylish) sports a top hat and Napoleon III beard. Ajax I and II are toga'd Siamese twins who bear a startling resemblance, by design or glorious accident, to W.S. Gilbert and Arthur Sullivan who in another decade would be taking Offenbach on at his own game. The women of the town have stepped off a Toulouse-Lautrec poster.

Emmanuel Joel, known to Covent Garden for his *Carmen* and due to conduct *The Pearl Fishers* at the Coliseum, evokes neat, trim and refined playing from the orchestra, though he might have unbent for the languorous waltz duet where Helen allows herself to be seduced under the impression – she says – that she is dreaming.

All that is needed is a little more sparkle to the correctness – and a scalpel on the script. ENO has the right idea with out-dated verbiage: either scrap it, as in *The Fairy Queen*, or rewrite totally, as with the backstage story that Michael Frayn has made for the forthcoming London production of the self-same *Hélène* (rebaptised Vivette). *Qui vivra verra.*

Concert/Antony Bye

Rattle's Beethoven cycle

Sir Simon Rattle: The Beethoven Symphony Cycle – as the Barbican's programme booklet modishly styled it – reached a satisfying conclusion last week with readings of the Eighth and Ninth which were as thoughtful and revealing as any I have encountered in the last few years.

They were certainly different enough to recent acclaimed accounts, by conductors such as Harnoncourt, Gardiner and Norrington, and involving enough in themselves to silence accusations of Beethoven symphony overkill

Unbelievably, this was Rattle's first Beethoven cycle, but the wait has been worth it.

His experience with late Romantic repertoire – Mahler and Sibelius especially – has obviously coloured his view of how he wants his Beethoven to sound. And he has an orchestra – the City of Birmingham Symphony Orchestra, which is celebrating its 75th anniversary – by now well-attuned to his demands.

Rattle's greatest insights were achieved simply by redistributing the orchestra on the platform: first violins, cellos, basses and horns to the left, second violins, violas, trumpets and percussion to the right.

By effectively polarising the textures, the lower parts – of crucial importance in late Beethoven – sang with a special clarity, and the inner parts, often fascinating in themselves, sprang into sharp relief.

Rattle's ear for texture has obviously been refined by his work with the period instrument Orchestra of the Age of *Enlightenment*.

Like Nikolaus Harnoncourt, whose own award-winning cycle was widely considered a modern highpoint of Beethoven interpretation, Rattle demands of his modern instrument players a similar clarity of articulation, sensitivity to balance and even, where appropriate, a degree of roughness.

These are qualities which especially suit the quirky charm of the Eighth symphony. Rattle seemed closest to Mahler here, applying a delicate rubato in the first movement, lingering voluptuously on the second movement's apoggiaturas, achieving ecstasy with no loss of dignity in the third, and focusing on the fourth's dramatic contrasts and meaningful silences.

The Ninth Symphony was a grandly unified interpretation, of weight matched to purpose. But details were not forgotten, even in the final headlong rush, nor was expressive warmth neglected, though, paradoxically, it was achieved by reducing expressivity elsewhere: on many occasions the string players suppressed the vibrato which has become such a standard feature of modern orchestral sound.

For once the opening introductory bars and the peroratory brass fanfares of the slow movement made sense as part of something bigger.

Some especially incisive singing from the CBSO Chorus and an outstanding bass soloist in Robert Holl (Hans Sachs at Bayreuth next year), imbued the Finale with the necessary sense of fervent entreaty.

Again it was Rattle's concern for detail which raised it above the level of routine, a fitting end to what I hope will only be the first of regular explorations of Classical repertoire from these forces.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

OPERA/BALLET

Het Muziektheater Tel: (020) 551 8922

● The Flying Dutchman: by Wagner. Conducted by Graeme Jenkins and directed by Richard Jones. Soloists include Harald Stamm, Karen Huffstodt, Mark Baker and Hebe Dijkstra; 8pm; Nov 4, 7, 9

■ BALTIMORE

GALLERIES

Baltimore Museum Tel: (410) 396 6310

● American Art Posters from Turn of the Century: an insight into the American way of life through advertising posters; to Dec 31

■ BRUSSELS

CONCERTS

Beaux-Arts Tel: (02) 507 8200

● Belgian National Orchestra: Yuri Siminov conducts Rachmaninov, Medtner and Sibelius; 8pm; Nov 3

● Collegium Vocale: Phillipe Herreweghe conducts Purcell's "Hail Bright Cecilia" and Humphreys' "Three Anthems"; 8pm; Nov 10

● Ensemble InterContemporain: Pierre Boulez conducts Berg, Webern and Schönberg; 8pm; Nov 9

■ LONDON

CONCERTS

Royal Festival Hall Tel: (0171) 928 8800

● BBC Symphony Orchestra: with soprano Judith Howarth. Richard Hickox conducts Britten, Nyman and Elgar; 7.30pm; Nov 9

● London Symphony Orchestra: with violinist Tasmin Little. Herbert Blomstedt conducts Strauss' "Don Juan", Dvořák's "Violin Concerto" and Nielsen's "Symphony No.4"; 7.30pm; Nov 5

Royal Opera House Tel: (0171) 304 4000

● Manon: directed and choreographed by Kenneth Macmillan to the music of Massenet and conducted by Barry Wordsworth; 7.30pm; Nov 7, 8

● Swan Lake: choreographed by Marius Petipa and Lev Ivanov. Vikotor Fedotov/Anthony Twiner/Barry Wordsworth conducts Tchaikovsky; 7.30pm; Nov 3, 4 (7pm), 6, 9, 10

GALLERIES

Serpentine Tel: (0171) 402 0343

● Big City, Artists from Africa: sculptures, drawings, images and objects by contemporary artists from several African countries; to Nov 5

OPERA/BALLET

English National Opera Tel: (0171) 632 8300

● The Barber of Seville: by Rossini. Conducted by Jane Glover and directed by Henry B. Little from the original direction by Jonathan Miller. Soloists include Alan Opie, Jean Rigby/Fiona James, Charles Workman and Gordon Sandison; 7.30pm; Nov 4, 9

● The Fairy Queen: by Purcell. A new production conducted by Nicholas Kok and directed by David Pountney. Soloists include Yvonne Kenny, Janis Kelly, Mary Hegarty and Yvonne Barclay; 7.30pm; Nov 3

THEATRE

Donmar Warehouse Tel: (0171) 369 1732

● The Glass Menagerie: by Tennessee Williams, directed by Sam Mendes. Cast includes Zöe Wanamaker and Claire Skinner; 8pm; to Nov 5

National, Cottesloe Tel: (0171) 928 2252

● Cyrano: by Edmond Rostand, adapted by Ranjit Bolt and directed by Anuradha Kapur. Rostand's French romance relocates to 1930's India with a mixture of colour, live music and dance. Cast includes Naseeruddin Shah; 7.30pm; Nov 8, 9 (2.30pm), 10

● Skylight: by David Hare. Directed by Richard Eyre and starring Michael Gambon and Lia Williams; 7.30pm; Nov 3, 4 (2.30pm), 6, 7 (2.30pm)

National, Lyttelton Tel: (0171) 928 2252

● La Grande Magia: by Edouardo de Filippo in a translation by Carlo Ardito. Richard Eyre directs Alan Howard and Bernard Cribbins in de Filippo's comedy; 7.30pm; Nov 10

■ LOS ANGELES

CONCERTS

Dorothy Chandler Pavilion Tel: (213) 365 3500

● Los Angeles Philharmonic: Mikhail Pletnev conducts Beethoven's "Symphony No.4" and Tchaikovsky's "Symphony No.6"; 8pm; Nov 9, 10 (1.30pm)

OPERA/BALLET

Dorothy Chandler Pavilion Tel: (213) 365 3500

● The Abduction from the Seraglio: by Mozart. Conducted by Julius Rudel and directed by Michael Hampe. Soloists include Jorma Silvasti, Elzbieta Szmytka and Doug Jones; 7pm; Nov 4, 7, 10

■ MUNICH

GALLERIES

Kunsthalle der Hypo-Kulturstiftung

● Felix Vallotton: retrospective of the Swiss-born Nabis group member; to Nov 5

■ NEW YORK

CONCERTS

Carnegie Hall Tel: (212) 247 7800

● Chicago Symphony Orchestra: concert performance of R. Strauss' "Elektra" conducted by Daniel Barenboim. Soloists include Deborah Polaski, Alessandra Marc, Ute Priew and Falk Struckmann; 8pm; Nov 9

● Orchestra of St. Luke's: with soprano Barbara Hendricks. Bernhard Klee conducts Schubert and Mozart; 8pm; Nov 4

GALLERIES

Guggenheim Soho Tel: (212) 423 3500

● Dieter Appelt: retrospective with more than 60 paintings and sculptures; to Nov 5

OPERA/BALLET

New York City Opera Tel: (212) 307 4100

● La Bohême: by Puccini. A new production conducted by Christopher Keene and directed by Graziella Sciutti; 8pm; Nov 5 (1.30pm)

● Temple of the Golden Pavilion: by Mayuzumi. A new production directed by Jerome Sirlin an conducted by Christopher Keene. Based on a novel by Yukio Mishima in an English translation by Christopher Keene; 8pm; Nov 3, 8

● The Magic Flute: by Mozart. Conducted by Randall Craig Fleischer and produced by Lotfi Mansouri; 1.30pm; Nov 4

● Turandot: by Puccini. Conducted by Guido Ajmone-Marsan and produced by Jonathan Eaton; 8pm; Nov 7 (6.30pm)

■ PARIS

CONCERTS

Champs Elysées Tel: (1) 49 52 50 50

● Festival Orchestra of Brescia and Bergamo: with pianist Zoltán Kocsis. Iván Fischer conducts Bartók's "Concerto for Piano and Orchestra No.2"; 8.30pm; Nov 7

● Festival Orchestra of Brescia and Bergamo: with pianist Zoltán Kocsis. Iván Fischer conducts Bartók's "Concerto for Piano and Orchestra No.3"; 8.30pm; Nov 8

● Festival Orchestra of Budapest: with pianist Zoltán Kocsis, mezzo-soprano Ildikó Komlósi and bass Kolos Kováts. Iván Fischer conducts Bartók's "Concerto for Piano and Orchestra No.1"; 8.30pm; Nov 6

● French National Orchestra: with violincellist Mstislav Rostropovitch. Georges Prêtre conducts Berlioz, Fauré, Saint-Saëns, Messaiaen, Honnegger and Schmitt; 8pm; Nov 4

● Orchestra du Gewandhaus of Leipzig: Kurt Masur conducts Strauss' "Metamorphoses" and Beethoven's "Symphony No.3"; 8.30pm; Nov 3

OPERA/BALLET

Opéra National de Paris, Bastille Tel: (1) 47 42 57 50

● Eugène Onégin: by Tchaikovsky. A new production produced by Willy Decker and conducted by Alexander Anissimov. Soloists include Gerlinde Lorenz, Solveig Kringelborn/Galina Gorchakova, Anthony Michaels-Moore; 7.30pm; Nov 4, 9

● Les Variations d'Ulysse: a new production choreographed by Jean-Claude Gallotta to the music of Jean-Pierre Drouet; 7.30pm; Nov 6

■ WASHINGTON

CONCERTS

Kennedy Center Tel: (202) 467 4600

● Bolshoi Symphony Orchestra: with pianist Boris Berezovski. Peter Feranech conducts Tchaikovsky and Sibelius; 3pm; Nov 5

● National Symphony Orchestra: with violinist Laurence Kayaleh. Leonard Slatkin conducts Mumford, Hartke, Bruch and Mahler; 8.30pm; Nov 3, 4, 7 (7pm)

● National Symphony Orchestra: with mezzo-soprano Jard Van Nes. Leonard Slatkin conducts Adler, Purcell, Britten, Berlioz and Corigliano; 8.30pm; Nov 9, 10

OPERA/BALLET

Washington Opera Tel: (202) 416 7800

● Luisa Miller: by Verdi. Conducted by Richard Buckley and directed by Christopher Mattaliano. Soloists include Veronica Villarroel, Lando Bartolini, Haijing Fu and Gabor Andrasy; 8pm; Nov 4 (7pm), 9

WORLD SERVICE

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Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Importance of being good

John Lloyd asks whether Shevardnadze has the necessary qualities to be Georgia's saviour

Is Mr Eduard Shevardnadze, the former Soviet foreign minister, a good man? If he is (and if he survives), then Georgia may become a good state.

This may not seem like the last word in sophisticated analysis, but it is probably true. Mr Shevardnadze, now head of the Georgian parliament and effectively the country's head of state, is running for the presidency in elections to be held on Sunday.

If he wins – as looks likely – he will have large powers to reshape the country. So desperate are its 5m people after the civil war, breakdown of law and order and economic collapse of the past five years, that Mr Shevardnadze could be dictator in a country where dependence on one authoritarian figure as saviour is deeply rooted.

It is thus important that he be a good man, who can avoid the corruptions of absolute power and who continues his efforts to entrench democracy and a market system that has so far delivered little.

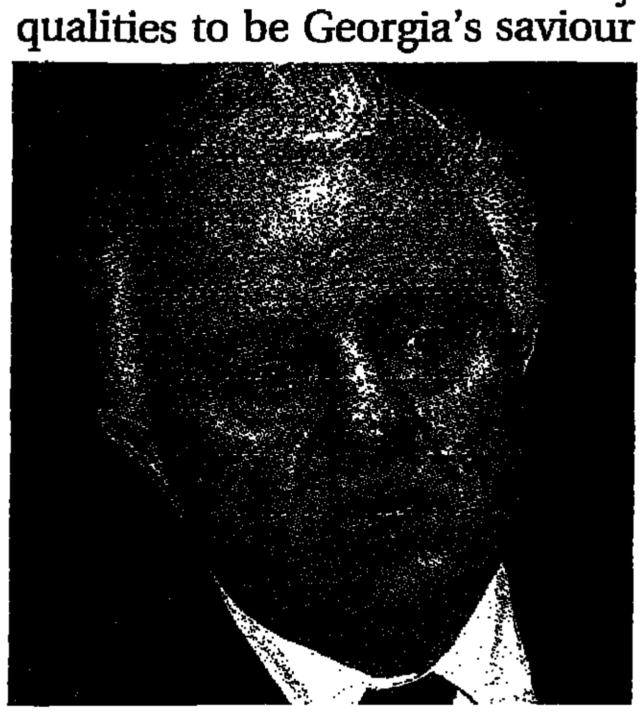
"People always bring up the social problems," he says in an interview during a campaign stop. "When someone is earning three, four or five dollars a month, naturally there are problems."

There are reasons to believe he is not wholly good. One is that his government tortures prisoners. In two reports published at the end of last year and the beginning of this, Helsinki Watch, the human rights group, wrote that several dozen prisoners, locked up for a range of crimes from theft to murder, had been beaten and otherwise tortured.

Another is that he has exploited his position as head of parliament in the election campaigns for both the presidency and the parliament. His associates are the heads of the television and radio service, and of the electoral commission. At rallies around the country, the local *nomenklatura* – his appointments – extol his virtues. His speeches are shown at length on television; the other candidates are limited to 20-minute speeches to the camera every two days.

"You do not have to speak Georgian to understand that they [the media] show Shevardnadze supposedly giving speeches as head of the parliament, but actually campaigning," says Mr Alexander Chachiya, who runs the campaign of Mr Dzhumber Patiashvili.

Mr Patiashvili, who succeeded Mr Shevardnadze as first secretary of the Georgian Communist party, is his closest rival. He is running on a leftist ticket with the support of the official communists, from a small office behind a library. He has one telephone, no fax and one black and white poster which is not widely distributed. Mr Shevardnadze's campaign, and that of the Citizen's Union, the party he has formed, is well financed and its posters are everywhere.


Trevor Humphries
Shevardnadze: as president, he would have sweeping powers

Mr Shevardnadze is also accused of using the attempt to assassinate him on August 29 to finish off his opponents. He blamed the attempt on the leadership of the security services (whom he had appointed) and said they were linked to the Mekhedrioni armed group which had earlier supported him. There have been widescale arrests of leading Mekhedrioni figures. Mr Igor Georgadze, chief of the security services, has fled to Russia proclaiming his innocence. Some allege that Shevardnadze staged the attempt in order to bolster his position (though if it was staged, it was certainly daring – he was lightly wounded in the attempt).

To these criticisms his opponents add that, under him, the region of Abkhazia effectively seceded from Georgia, following a civil war. This could have been avoided, says Mr Chachiya, if Mr Shevardnadze had negotiated a federal structure to accommodate minorities such as the Abkhazians.

They also say his privatisation programme enriches a tiny elite of newly moneyed mafiosi. They warn that the lari, the new currency which is pegged roughly one-to-one to the dollar, will collapse once support from the International Monetary Fund ends. And they say an agreement he signed with Russia to allow the latter to establish three military bases in Georgia has reaped no rewards for the state.

"He is exhausted," says Ms Klarya Afrenia, a Georgian journalist. "I was for him before, but now I think his time is finished. He cannot unite people. I won't be for him again."

Mr Zurab Zhvania, secretary general of the Citizens' Union, makes the case for Mr Shevardnadze. "There are many occasions on which he could have chosen the authoritarian solution, above all on the constitution [adopted earlier this year]. But he chose to work with the parliament, including communists and people radically opposed to him, and got it through. It is not a constitution of an authoritarian president."

Mr Shevardnadze's most significant achievement has been in controlling the activities of the criminals that once stopped city life after dark, routinely skimmed the income of traders and entrepreneurs and threatened the state itself. He has also cut the ground from beneath the feet of the warlord groupings such as the Mekhedrioni which had controlled the state before his return in 1993.

There are important signs of economic stability, and tiny ones of economic improvement. The lari is stable, inflation which ran at about 100 per cent a month two years ago has been cut back to 2 per cent a month, and state spending has been reduced to reflect the grim fact that taxes amount to a mere 3 per cent of gross national product. In the streets of the lovely, crumbling capital of Tbilisi, there are some smart shops, restaurants and clubs; some theatres have reopened in the capital and the provinces; and a few joint ventures with foreign investors have started up.

The best news for Mr Shevardnadze is the announcement last month by an international consortium of oil companies that it will build a pipeline through Georgia to Turkey to carry oil from neighbouring Azerbaijan. The project seemed an impossible dream earlier this year, and its go-ahead reflects a sense among the project's backers that Georgia's crime lords may now be controlled, and that the state is stable enough to risk building the pipeline.

A good man after all? It has yet to be proven. If his zig-zags towards effective control of the state continue in what he calls "a progressive direction"; if Russia accepts that, as he says, "its interests are not in a servile but in a free and stable and reliable Georgia"; if progress can be made in reuniting the country; if the desperately poor majority, living on bread and with little or no fuel, are prepared to endure the slow recovery, he may prove indeed to be so.

Philip Stephens

Profit before probity

We expect politicians to be venal. We rarely overestimate their intelligence. To borrow Dr Johnson's phrase, politics has long been recognised as nothing more than a means of rising in the world. But when politicians contrive to be untrustworthy and witless in the same instant, they must expect retribution. So it is with the response of Conservative MPs to the public disquiet over their financial affairs.

Every now and then the opinion pollsters at Gallup ask the voters a simple question. Do they agree with the proposition that Tory politicians come across as "very sleazy and disreputable"? The exact response tends to vary with the interval since the last ministerial misdemeanour. But the proportion replying "yes" rarely falls below two-thirds. It is often closer to three-quarters.

Now if you or I faced such overwhelming disdain, I suspect we would be worried. Whatever the reading on our personal moral compass, we would think it a good idea to burnish our image. After all, the general election is no more than 18 months away. How dismal a prospect it would be to tramp the streets soliciting votes from a electorate which had branded us crooks.

Not a bit of it. Gripped by fatalism, blinded by greed or awash in self-righteous indignation, most Conservative MPs are determined to hold on to those lucrative little sidelines which have robbed parliament of its integrity. A handful of honourable members on the government benches have stood aside from this collective senselessness. I trust that John Biffen, David Wilshire, Sir Teddy Taylor, Richard Shepherd, David Martin, Peter Griffiths and any others who join them will gain due recognition from their constituents.

Their colleagues seem to have decided that profit comes before probity. Most importantly, the voters must not be told how many £50 notes are stuffed into MPs' backpockets by consultants and lobbyists in exchange for insider information and influence.

To his eternal discredit and certain politial cost, John Major, an honest politician, has decided he too must swim in this murky tide. It was the prime minister who promised to close down the hiring fair at Westminster when he established Lord Nolan's committee on standards in public life just 12 short months ago. It was the same Mr Major who declared when the committee reported in May that he not only accepted the broad thrust of its recommendations, but he agreed with them.

But party unity now comes before all else. The Conservatives are still 30 points behind Tony Blair's New Labour. Those who sit behind Mr Major at Westminster are restless for tax cuts, angry about plans for a more sensible divorce law, watching his every move on Europe.

To his eternal discredit, John Major, an honest politician, has decided he too must swim in this murky tide

Unmarried women who are terrorised by their male partners have already fallen victim to this frightened malice. Only yesterday, the Lord Chancellor was obliged to scrap a law which would have codified a few basic rights for the victims. A group of self-proclaimed moralists on the Tory side scuppered the legislation in the name of the sanctity of marriage. Financial and marital morality clearly come under entirely different headings. In any event, the prime minister has concluded that it is too risky to add to the rumblings.

Ignore the transparently mendacious claim that MPs will be allowed a free vote after next Monday's House of Commons debate on the Nolan report. Labour and Liberal Democrats are standing in front of an open political goal and will vote en bloc for full implementation. Novice capitalists, they have never been as adept at working the system as their Tory colleagues. Any small personal financial losses will be more than compensated for by the political gains to be had from presenting the status quo as proof of virtue.

Tory whips meanwhile are telling would-be dissenters that loyalty comes before conscience. Mr Major, though, should realise his party's is a lost cause. Even if the whips manage to dragoon enough honourable doubters into defeating the opposition, the government will be the loser. Its sullied reputation will be further smeared. The Gallup sleaze barometer will climb higher still, and rightly so.

If any of the above seems excessively harsh, consider the principal issue for debate on Monday. Lord Nolan's committee made a number of modest recommendations to tighten the rules on the financial activities of MPs. To those outside the privileged club this seemed the minimum required to restore a modicum of public faith in this most important institution of British democracy. Most of the proposals have been duly accepted, albeit with bad grace. But on one, the Conservatives have dug themselves a large hole.

The committee said that in those cases when MPs supplemented their salaries with employment directly related to their office, they should declare (within broad bands) the income. No additional disclosure would be required of those who pursued careers independent of politics. The financial secrets of the Tory barrister, merchant banker and company director would be entirely safe. But those who traded on their political position by signing up with consultants and lobbyists should tell their electorates roughly how much they received.

This commonsense proposal has called forth a battery of objections so deliberately confusing and obscure as to make the Sophists of ancient Greece appear paragons of rhetorical clarity. Most vociferously, it is argued that there is no need for such disclosure because MPs intend to go beyond Nolan's recommendations and impose a complete ban on paid advocacy in parliament.

Look carefully though at that last phrase. Henceforth members of the House of Commons will pledge not to table questions, to speak in debates, or introduce bills or amendments in return for money. Most people, I would guess, assume that such behaviour is already banned. It used to be called bribery. And indeed a resolution passed by MPs as long ago as 1858 quite clearly prohibits advocacy "for or in consideration of any pecuniary fee or reward".

But the new, supposedly tougher, rules do not debar payments for parliamentary advice provided to consultants and lobbyists. And the distinction between advice and advocacy is conveniently vague. In short, such is the gulf between the perceptions of politicians and voters that MPs believe they are due applause for promising to eschew that which they should never have contemplated.

There is of course a view that all this is really much ado about very little. Few MPs are really corrupt; everyone fiddles their expenses occasionally; it is a mistake to apply Methodist morality to a necessarily Catholic world. A certain knocked-about quality in politicians improves their effectiveness.

It is the case made by the political commentator Matthew Parris in a charming, if excessively charitable, anthology of parliamentary scandals* published this week. Mr Parris reminds us that £1,000 for tabling a parliamentary question seems strangely trivial when set against the foibles of past great statesmen. Francis Bacon, Castlereagh and Canning, Disraeli and Gladstone, they all had darker secrets.

But this is quaint English romanticism. British democracy is in feeble shape. The same MPs who jealously guard their wallets seem blithely indifferent to the steady accretion of power by the executive at the expense of parliament. The essential bond of trust between rulers and ruled is daily eroded by the constant suspicion of sleaze. Tory MPs might reflect as they vote on Monday that they can command public respect or hefty consultancy fees. But not both.

Great Parliamentary Scandals, Robson Books, £16.95.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Legality of nuclear weapons faces challenge

From Mr George Farebrother.

Sir, Ronald van de Krol's piece headlined "World Court opens nuclear case" (October 31) missed the main point about Australia's statement during the oral proceedings before the court on the legality of nuclear weapons.

In doing so he overlooked a trenchant argument supporting the case for nuclear illegality.

Although Australia's solicitor-general argued that the court should not give an advisory opinion, the main ground for this was that if the court found that some uses of nuclear weapons were legal, it would encourage proliferation.

More importantly, Australia's foreign minister, Mr Gareth Evans, followed up with a powerful statement condemning not only any threat to use, or use of, nuclear weapons as illegal, but also their acquisition, development, testing and possession.

Mr Evans further urged the court to declare that the nuclear states have a legal obligation to abolish nuclear weapons within a reasonable time frame. He reported that the Australian government is assembling a group of experts from around the world to propose practical measures to achieve this goal.

These views undercut nuclear deterrence itself. They are all the more remarkable coming from Australia, which has supported the UK argument that nuclear weapons could legally be used in some circumstances. The World Court hearings are providing an international forum where the legal and moral status of nuclear weapons is under serious challenge. The media would be well advised to pay careful attention to events in the Hague over the next few days.

George Farebrother,
UK secretary,
World Court Project,
67 Summerheath Road,
Hailsham,
Sussex BN27 3DR, UK

Kenyan government must act on economy

From Mr James Njenga.

Sir, I agree with the article "Defiant Kenya is running out of steam" (October 25). Economic development in Kenya is cooling down as inflation steams up. Who is responsible for this?

As a devoted Kenyan I respect my government, but it is to blame. First, its negligence towards donor countries has brought economic underdevelopment. Second, it lacks commitment to the welfare of the people in terms of raising their standard of living. Third, there is a lack of unity between the ruling party and the opposition. Finally, there is corruption among government officials.

The results of all this are obvious, particularly in the transport, communication and agricultural sectors.

Road maintenance is a thing of the past and telephone services are poorly managed. These factors drive away investors. The agricultural sector on which more than 60 per cent of the economy is based is deteriorating. Farmers are underpaid for the products they produce, and as a result agricultural production is dropping every year.

The government must act before the economy reaches the point of no return. It must eliminate corruption, agree to International Monetary Fund and World Bank terms and listen to the donor countries.

James Njenga,
PO Box 41352,
Nairobi, Kenya

New tack needed to restore social fabric

From Mr Aidan Foster-Carter.

Sir, Sir Samuel Brittan rightly observes that Adam Smith emphasised both self-interest and benevolence ("Motives not full story", October 30).

Much less convincing, though, is his vaunted reconciliation of these two principles.

How does the notion of ever-decreasing circles of obligation apply today? If my family business has made widgets for generations, but the Chinese now make them cheaper, then putting profits first (as Brittan recommends) means I should move production to China.

De facto, although this was not my motive I thus benefit distant circles – the Chinese economy – and harm those closer to me – my workforce, my locality, my country and even my family.

Adam Smith did not have globalisation to contend with.

Brittan's other "assertion" (his word) is that business and others lack the knowledge "to further the interests of humanity directly in normal commercial life".

On the contrary: it may be hard to do good but it is very easy to know when one is doing harm.

Thus, in the sphere of work, research supports what common sense would suggest: that the new grim norms of overlong hours and pervasive job insecurity are making many people miserable and ill, at all levels from top management to the shop floor.

Brittan may dismiss the concept of stakeholders as "nonsense", yet surely, on his own criteria, here too the pursuit of profit regardless of the human cost does palpable harm to precisely those close "professional associates" who are entitled to expect – and in the recent past would have received – more benevolent treatment.

None of this would matter much if those displaced by globalisation or ground down by poor working conditions could readily find other employment.

The fact that many no longer have this option suggests that the "wise political and institutional structure" which Brittan rightly sees as a necessary underpinning to individual action has been seriously eroded.

We all have our own Adam Smiths. Mine, were he alive today, would conclude that the initial thrust of Thatcherism was a necessary blast against a Keynesianism grown flabby and out of date.

But it has now got out of hand, to the point where a ruthless and short-sighted concern with this quarter's balance sheet threatens to destroy the broader social fabric which underpins economic success.

Aidan Foster-Carter,
senior lecturer in sociology,
University of Leeds,
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UK

Public transport links help give airport the edge

From Mr M.P. Hodson.

Sir, The feature on the growth of Manchester Airport as a European hub ("Airport lures investors to northern honeypot", October 31) identifies the importance of transport links in Manchester's desire for a second runway. It fails, however, to acknowledge the role played by public transport in supporting growth to date, and its potential role in meeting future demands in an environmentally and economically efficient way.

Manchester is unique among British airports in having year-round, 24-hour, long-distance rail links, with direct trains from west Yorkshire, Humberside, south Yorkshire, north-west England, central Scotland, Teesside and North Yorkshire. Future developments include extending Manchester's tram system and direct rail services from the east and west Midlands, and electrification of the TransPennine links to north-east England, Yorkshire and Humberside.

This accessibility will greatly mitigate the problems associated with growth in the airport's hinterland.

It would be disappointing if the continued growth in air travel to northern England were forced away from Manchester by planning restrictions on development of the second runway.

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Friday November 3 1995

Bad omens for Russia

The news from Russia is bad, and as winter progresses it may well get even more alarming. The illness of Mr Boris Yeltsin and the confusing reports about his condition have prompted many people to fear the worst, not only for the president's health, but for Russian democracy.

The fact that the electoral commission felt emboldened last weekend to exclude Mr Grigory Yavlinsky and his reformist Yabloko party on flimsy technical grounds from the December 17 parliamentary election is a very black portent. Whatever the result of today's decision by the Supreme Court, which is considering whether to readmit Yabloko to the race, a precedent has been set, and further attempts to manipulate the electoral process look all too likely.

The attempt to ban the moderate nationalists of Yabloko is a sign of powerful forces at work who could seize other opportunities to interfere with the elections. Such meddling is being made easier by the steady decrease in Russian voters' faith in the democratic system. They are growing ever more cynical as they read reports that parties are faking or buying the citizens' signatures they need to qualify for the race; and that scores of criminals are standing for parliament to ensure their immunity from prosecution. All this is helping to create a climate of distaste with politicians that has potentially sinister consequences: an atmosphere could be created in which there would be scant resistance if some strongman were to try suspending the democratic process altogether.

Disadvantages of system

Many observers of Russia had expected some dirty tricks in the first half of next year during the run-up to the presidential election, due in June. Yet Mr Yeltsin's illness has apparently brought forward the manoeuvring, and reminded the world of the disadvantages of a system where power is concentrated in the hands of one chronically unhealthy man. Before Mr Yeltsin's illness, the most hawkish figures in the presidential entourage possibly calculated that their best chance of retaining power lay in shoring up the president's authority at all costs. Now they face a real possibility that Mr Yeltsin will leave the political scene earlier than they expected.

If Mr Yeltsin does prove incapable of resuming work, the most desirable course of events from the west's point of view would be a smooth handover of power to Mr Victor Chernomyrdin, the prime minister whose moderation and commitment to reform has earned widespread respect. Under the constitution, he is supposed to take over in the event of the death or incapacity of the president.

Poor prospects

Yet the prospects for an orderly handover of authority look poor. The disappointing performance of Mr Chernomyrdin's recently founded political party, Our Home is Russia, has eroded his personal authority. This has reduced the chances that in the event of a showdown, he would be able to face down the toughest figures in the presidential entourage who launched the Chechen war, and strongly dislike him.

For the hardliners, the fact that observing the constitution could lead to the elevation of Mr Chernomyrdin might be reason enough to violate the constitution – conceivably by engineering a crisis, external or internal, in which there appeared to be no alternative to emergency rule.

All the west can do in these circumstances is keep emphasising that its relations with a Russia which failed the test of democracy could not be of the same quality as those with a more-or-less democratic Russia. It should also encourage those Russian politicians who still believe in democracy to work constructively together rather than squabbling as they have done in the past.

The experience of the Chechen war is instructive. When the west produced a muted response, half Moscow's politicians blamed it for being too harsh, while the other half condemned it on the opposite grounds. The result pleased nobody and did little to modify Russian behaviour. If Russia now deviates from democracy, western governments should not repeat the mistake. They should speak frankly and firmly about the consequences.

Looking for spending cuts

This year's public spending round has somehow managed to be even more theatrical than usual. Typically, yesterday's cabinet meeting would have put the seal on a four-month period of negotiations between the Treasury and the rest of Whitehall which would then, inevitably, have been dubbed the toughest in memory. Instead, the prime minister's office announced that the drama would be prolonged, with a second, and final, meeting now scheduled for Monday.

Behind all the histrionics lies a logical, if somewhat distasteful, calculation. The Conservatives believe they must deliver tax cuts to stand a chance of re-election, and they think they have to find them through cuts in spending.

Many economists, including several of the Treasury "wise men", who yesterday delivered their latest batch of advice to the chancellor, think that Mr Kenneth Clarke could relax his stringent targets for public borrowing. The Treasury's Summer Economic Forecast shows the public sector borrowing requirement falling to roughly zero by 1998-99, down from this year's projected £23½bn, or 3¼ per cent of GDP.

A shortfall of revenues, coupled with somewhat higher than expected spending, mean that the 1995 target may be exceeded, by around £4bn-£5bn. But, as the Wise Men's report notes, higher borrowing would not necessarily threaten the sustainability of the public finances, as long as the government sticks to its original plans for future years' public spending.

Spending overshoot

As the election approaches, history suggests that any tax cuts this year will end up being largely funded by higher than expected public borrowing. This is because – as in 1992-93, when real government spending increased by nearly 5 per cent on a cyclically adjusted basis – the true extent of the spending overshoot will only be visible after the election.

For the moment, however, the government thinks that even the most forgetful of voters would find any up-front easing of Mr Clarke's borrowing targets rather difficult to swallow. It was, after all, the need to "balance the budget over the medium term" that made it necessary to raise the tax burden a combined £15bn over the course of the past three budgets. So, the argument runs, Mr Clarke's only credible route to tax cuts is via further projected cuts in spending.

We will not know until budget day which members of the cabinet were complaining hardest. But remember that the current plans for future spending are already extremely tight. General government expenditure has fallen significantly since 1992-93. However, two important factors were acting in the government's favour; the economy was in the early years of recovery, and the election was relatively far away.

Ambitious target

As both the recovery and the campaign matured, it seemed rather unlikely that the government would stick to future plans which foresee a real government spending increase of only 0.4 per cent in 1996-97, compared to an average real rise of 1.8 per cent since 1979. For all that, the signs are that Mr Clarke will announce an even more ambitious target for next year, with a "new control total" for 1996-97 maybe £3bn-£5bn below the £263.5bn forecast in last year's budget.

Regardless of what happens elsewhere in the budget, there is perhaps one reason to believe that some of Mr Clarke's new "cuts" will stick – namely that they seem to have fallen in large part on capital rather than current spending. Governments always find it politically easier to cancel plans for new public housing, roads and hospitals than to close down existing ones – a tradition that has served the UK's public infrastructure needs particularly poorly in recent years. The share of public fixed investment has more than halved since 1979. There were already plans for a 20 per cent real cut in gross public capital spending between 1990 and 1998.

In a low savings economy such as the UK, the only plausible excuse for persistent government borrowing might be to fund public investment. But rather than defend higher-than-expected borrowing in this manner, Mr Clarke looks poised to achieve, in the end, the worst of all worlds. That is, even lower public investment, in pursuit of implausible cuts in borrowing and spending and an uphill election victory.

In the path of a speeding train

Europe's airlines face growing competition from the railways, say Michael Skapinker and Charles Batchelor

About 100 customers of London-based Kirker Holidays enjoyed two-day breaks in Paris last weekend. Ten of them flew from the UK. The remaining 90 travelled through the Channel tunnel by train.

Mr Christopher Kirker, the company's managing director, says total sales of Paris breaks are up 40 per cent on last year. The increase is entirely due to the launch of the Eurostar train service between London and Paris last year. Mr Kirker's sales of Paris breaks by air are well down.

Mr Kirker says some customers have already begun to insist on travelling from London to Amsterdam by train. He sells them tickets to Brussels, which is also served by Eurostar, where they catch a connecting train to the Netherlands. Within a few years, he believes his customers will travel to Madrid and other Continental cities on overnight train services.

European high-speed train services are posing the most serious challenge to the airlines since the invention of the jet engine made cheap mass air travel a reality in the 1960s. Europe's airlines are so concerned that they are lobbying the European Commission to limit railway subsidies. Commission officials have responded that airlines have received large subsidies themselves and will have to learn to compete with rail.

The European high-speed rail network is limited, but it seems set to capture a growing share of airline business as it expands. The early high-speed rail routes have already resulted in travellers deserting aircraft for trains.

European Passenger Services, the UK partner in the Anglo-French-Belgian Eurostar, says the train has captured more than 40 per cent of the cross-Channel market, excluding ferries. It has done so even though Eurostar still travels on conventional, slower tracks in the UK and Belgium.

Many Eurostar customers would not have travelled but for the opening of the Channel tunnel, so the negative impact on the airlines has not been as strong as the success of the train might suggest. But the UK Civil Aviation Authority says cross-Channel rail services have led to a 10 per cent to 15 per cent fall in airline passengers on London-Paris flights and a 7 per cent to 9 per cent decline on the London-Brussels route.

Other high-speed services have had a more severe effect on air travel. When the first stretch of European high-speed line, between Paris and Lyons, opened in 1981, airlines on the route lost more than two-thirds of their passengers. When Spain's first high-speed line started in 1992 between Madrid and Seville, airlines' share of the market fell from 18 per cent to 7 per cent.

There is worse to come for the airlines. Germany, which inaugurated its high-speed trains in 1991 with a 250kph inter-city express (ICE) service between Hamburg and Munich, has since been extending services over new and modernised track. Italy and Sweden have also introduced high-speed services, using a mixture of improved track and tilting trains, shortening journey times while avoiding the expense of completely new railways.

The European Union drew up a master plan for the development of high-speed rail in 1990, proposing a tenfold increase in the 2,900km of track capable of running high-speed trains. Its plans include dedicated new lines designed for speeds of 250kph to 350kph and upgraded lines suitable for speeds of 200kph to 250kph. This would link most of Europe's larger cities by 2010.

However, some large European airlines believe they are not totally defenceless against high-speed rail. Mr Peter White, European regional general manager at British Airways, says the airline has lost only 10 per cent of its passengers on the London-Paris route and none between London and Brussels.

Mr White says this is because only passengers travelling from one European city to another – what the industry calls "point to point" – will be tempted by trains. A large proportion of the passengers flying between the Continent and London are coming to the UK to change aircraft and fly elsewhere.

He says about half the passengers flying from Paris to London use the UK as a transit point, taking advantage of the large number of air connections at airports such as Heathrow. Taking Eurostar would bring them to London's Waterloo station, at least an hour's journey from Heathrow.

American and Japanese air travellers are strongly represented among those using London as a stopping-off point. BA has marketed itself in the US as the airline which can provide a two-stop journey, allowing travellers to visit both London and Paris. BA's research showed that the three European cities most popular with Japanese travellers were London, Paris and Rome. To ensure Japanese passengers flew on BA throughout their European travels, the airline last summer began a service between Paris and Rome.

Air France, which has experienced severe financial difficulties, has suffered more from the start of Eurostar services, losing 25 per cent of its Paris-London passengers over the past nine months, according to Mr François Lafaye, the airline's UK general manager.

European carriers concede that point-to-point train journeys of less than three hours will succeed in taking passengers away from airlines. But they say airlines can switch services to the fast-growing intercontinental routes instead. Mr White says this is an advantage that airlines will always have over rail companies. "They can't move their track, but we can move our aeroplanes. If one route isn't doing very well, we just fly somewhere else," he says.

Some airlines, however, believe in co-operating with rail rather than fighting it. They say European rail and air links should be regarded as an integrated system. With the right infrastructure, airlines can pick up passengers who travel to airports on high-speed rail links.

Lufthansa, the German airline, is a long-term advocate of this strategy. The airline 10 years ago set up its own train service between Düsseldorf and Frankfurt airports. In an attempt to make passengers see the service as an integral part of the air network, Lufthansa gave the trains flight numbers and served travellers airline food.

Two years ago, Lufthansa handed the route over to the German railway system. The airline says, however, that it wants every new airport extension to have a high-speed railway station attached to it. Frankfurt airport will have its own high-speed railway station by the end of the decade. Charles de Gaulle in Paris is already linked to the high-speed network. Schiphol airport in Amsterdam sees itself as a 21st century transport hub, transferring passengers between high-speed trains and aircraft.

An exception to this vision of the future is Heathrow, Europe's busiest airport. Although Heathrow wants to expand rail connections to the airport, and is building a new link with London's Paddington station, none of the train services will be high speed. Mr Paul Le Blond, rail strategy manager at BAA, which owns Heathrow, says high-speed links are unnecessary.

Mr Le Blond says that 80 per cent of passengers travelling to Heathrow by road or rail come from London and the south-east of England. There would be little benefit in providing them with high-speed trains, he says. About one-third of those using the airport are air transit customers. BAA believes it is more important to offer these passengers better services, and recently opened a new lounge at Heathrow for transit passengers.

But BA, the biggest carrier at Heathrow, is worried by the lack of high-speed links. Mr White says that, if travellers can check in bags at the station for a combined rail-air journey, they might travel to Charles de Gaulle by train to catch a flight rather than flying to Heathrow to make their connections.

Mr White concedes it would be difficult to build high-speed links to Heathrow because the surrounding area is so densely populated. But without high-speed links for Heathrow, he fears that the UK risks being a loser in the battle to speed up travel between Europe's cities.

Consolidation in retail banking could mean others will follow the Credit Suisse lead, says Ian Rodger

Brand new approach

Multiple branding, where single companies own several different brands in a similar product line, is familiar to consumers of such products as detergents and cigarettes. But until now the retail banking sector has been slow to adopt the strategy.

One which has is Credit Suisse, the flagship bank of the CS Holding financial services group. It acquired Swiss Volksbank, the country's fourth-largest bank, nearly three years ago.

At the time, Credit Suisse was in a difficult position in its home market, running a distant third behind Union Bank of Switzerland and Swiss Bank Corporation in the main retail sectors – deposits, mortgages, consumer lending – with market shares of between 10 per cent and 12 per cent.

It was losing money on its retail operations and the prospects looked grim. The Swiss market was mature and was in the process of being liberalised. Many small regional banks were crumbling, but the idea of making one-off acquisitions of poorly managed small banks was not appealing.

Then a once-in-a-lifetime opportunity appeared. Swiss Volksbank, the country's fourth-largest bank, put itself up for sale. A series of bad loans, mainly in the property area but also to failed tycoons, had drained its reserves. Volksbank was not at death's door, but its managers were wise enough to realise that it would face a long struggle to recover.

Credit Suisse took it over in the spring of 1993, making clear it would leave it largely intact – at least in appearance – with a distinct market identity and national branch network. However, synergies would be realised behind the scenes.

Nearly three years later, the project is completed and appears to have been a success. The group claims operating cost savings this year will amount to SFr318m ($281.4m), about 8 per cent of the two banks' combined operating costs in the year before the acquisition, and will rise to more than SFr400m a year by 1997.

On the marketing front, it is too early for a final assessment, as the group has been preoccupied with strengthening the management at Volksbank, leaving little time for active marketing.

The two banks claim combined market shares of between 17 per cent and 20 per cent in the retail sectors, making the CS group the domestic market leader. Also, the retail business as a whole now has critical mass and is profitable, according to Josef Ackermann, Credit Suisse chief executive.

Hans Geiger, a Credit Suisse director, says only a few clients left because of the closure of some 60 redundant Credit Suisse and Volksbank branches.

The plan now is for Volksbank to be positioned as a domestically oriented bank for everybody, with a standardised product line at keen prices, while Credit Suisse will be the more sophisticated, international bank appealing to those with more complex needs.

The branch closures reflected this strategy, with Volksbank branches going in upmarket international ski resorts, such as Zermatt and Verbier, and Credit Suisse branches vanishing in many other small towns.

No attempt is being made to conceal the fact that the two are related. Volksbank has already piggybacked on existing Credit Suisse sponsorships, and the cash dispensers of both offer full service to all customers.

CS group officials believe clients appreciate that under the same corporate roof they can find a top international investment bank, CS First Boston, and various specialised private banks as well as the two big retail banks.

Credit Suisse is being careful to avoid too much social class stereotyping. There will be no pushing a client to use one or the other of the two retail banks according to social or financial status. "We are happy to have him wherever he wants to be," Credit Suisse says. If a client wants to shift business from one bank to the other, that has become as easy as pushing a button.

Credit Suisse has since extended its multiple branding approach following the acquisition last year of Neue Aargauer Bank, a large regional bank.

It considered merging NAB's branches into the Volksbank and Credit Suisse networks but realised that NAB has a strong image in its home region and an astonishing 35 per cent market share. So instead it folded the Volksbank branches in the canton of Aargau into NAB or Credit Suisse.

"We still have the synergies from having a common infrastructure. And we concluded that the cost of supporting three brands would not be that much higher than supporting two," Mr Geiger says.

It is still early days, but Credit Suisse has already had the satisfaction of being imitated. Earlier this year Swiss Bank Corporation decided to leave a cantonal bank it acquired with the name of Solothurner Bank.

In the UK, meanwhile, Lloyds Bank said last month that it would maintain the TSB brand after the takeover of its UK competitor. Further consolidation in the banking sector could soon yield new examples.

OBSERVER

Japanese double Bass

■ Japan's appetite for imported consumer goods, stimulated by a strong currency, is growing. But this is simply history repeating itself, says Vincent Kehoe, chief operating officer of Bass International Brewers, who was in Tokyo yesterday to launch a campaign to export draught Bass beer to Japan.

In 1860 Bass was the first foreign beer sold in Japan, during an import boom even stronger than today's. The 19th century Irish writer and traveller, Lafcadio Hearn, even found it in a mountain-top tea house.

With the help of Bass's local partner, Asahi Breweries, the Birmingham-based company now hopes to double its Japanese sales, including non-draught beer, to 200 hectolitres next year, mainly through Japan's growing number of English lookalike theme pubs.

But you have to dig deep into the pockets for a pint of draught Bass in Japan; it's the equivalent of £7 in Tokyo, more than three times its top UK price.

Despite the price, the Japanese market for premium foreign beers is annually growing by 10 per cent.

All the more remarkable considering that Japanese in the past 12 months have drunk about 6 per cent less of their own brews.

Not that that's terribly bitter news for Bass exporters...

Far too much wind

■ One of apartheid's biggest white elephants is fighting for its life in the south-eastern Cape, home of Mossgas, the state-owned R12bn fuel-from-gas plant in Mossel Bay.

The plant came about through the old South Africa's search for self-sufficiency in the face of economic sanctions. Now the government must either let it wind down or invest in new gas fields.

An 80-page report on the merits of closure has been drawn up by the Central Economic Advisory Service. Members of various Mossel Bay clubs, including shooting, target shooting, golf and netball clubs have provided insights into the likely local impact of closure. The report contains a chilling warning: "Should Mossgas be closed it is expected that prostitution, divorce and suicide... [and] child molestation will increase".

Very odd. The inference is that by keeping Mossgas, paedophiles et al will be kept out of harm's way – presumably on the golf courses, the shooting ranges, and the netball courts of Mossel Bay. Can that be right?

Cries and whispers

■ Ronald Bergman, principal shareholder and chief executive of the Swedish shipping line Nordström & Thulin, has a singularly ill-developed sense of public relations.

On the day last year of the sinking of the Baltic ferry Estonia – half-owned by his company – N&T's first response was to put out a press release saying profits would not be affected by the disaster, which claimed nearly 900 lives.

A subsequently shaken Bergman then announced N&T was giving up its concession on the Stockholm-Tallinn route – only to reverse the decision within months, as ferry rivals lined up to take over the business.

Bergman raised eyebrows again when it emerged that he had enjoyed a 56 per cent pay rise in 1994, despite a sharp fall in N&T profits partly due to the Estonia catastrophe.

Yesterday, Bergman's foot was firmly back in his mouth.

Discussing overcapacity on the Baltic ferry routes with a local news agency, he had this to say: "Boats are going to disappear in the Baltic traffic. I'm convinced of that."

Black and white

■ Dwayne Andreas, the 77-year-old titan of grain-processing giant Archer Daniels Midland, has caught the eye of media magnate Conrad Black, though not in the same way that ADM has managed to attract the attention recently of the FBI.

The G-men, you may recall, are investigating price fixing in some of ADM's main markets.

No, Black has greater plans for Andreas, and has invited him to join the board of his newspaper empire, Hollinger International.

Chicago-based Hollinger consolidates Black's newspapers holdings, including the Chicago Sun-Times, the Jerusalem Post, and London's Telegraph newspapers.

David Radler, who is Black's right-hand man, praises Andreas as "one of the great names in American business".

Or maybe Andreas is safeguarding his own rights?

ADM owns 730,000 shares of Hollinger's Class A stock. Prior to Hollinger's recent reorganisation, that represented a 1.3 per cent stake.

Now the holding is an insignificant drop in the bucket of 42m outstanding Class A shares.

Takeover bits

■ Execution came yesterday for six South Korean youths, who were possessed of such hatred of rich people that they murdered and ate the presidents of several small and medium-sized companies.

One can only suppose that they decided to leave large companies alone on the grounds that they did not want to bite off more than they could chew...

The Financial Times

50 years ago

Coal output improves
There is a small but welcome improvement in coal output figures and in recruitment to the pits. Mr [Emmanuel] Shinwell, Minister of Fuel and Power, announces an average weekly output for the first three weeks of October of 3,566,000 tons, against 3,466,000 tons in September and only 2,362,000 tons in August, when holidays interrupted work. The six V-Day holidays this summer lost the country 4,000,000 tons of coal.

Although the labour force has declined since this time last year from 713,000 to 699,000, output per manshift at the coal face has risen from 2.73 tons to 2.76 tons and the overall output per head from 1.01 tons to 1.02 tons.

As regards the manpower position, Mr Shinwell said that up to a week ago it seemed impossible to "stop the rot" as the wastage averages about 1,000 a week and recruitment had been as low as under 400. Entrants, however, in the third week of October numbered 973, including 316 from the forces and 435 from other industries.

Mr Shinwell expressed the hope that the Bill for the nationalisation of the mines would be introduced before Christmas.

FINANCIAL TIMES
Friday November 3 1995

Database fraud targets European businesses

Companies invoiced $1,440 for unsolicited electronic listings

By Ian Hamilton Fazey
Northern England Correspondent

European businesses are the targets of a new type of directory fraud where companies are being asked to pay for an unsolicited listing in an electronic database.

The "electronic age" version of the fraud appears to be easier and cheaper to operate than ones involving a hard copy fax or telex directory.

Mailing lists are being bought legitimately by a Swiss company and fed into a database. Interbusiness Research Institute, of Gland, Switzerland, is then invoicing companies on the mailing lists for $1,440 each.

It says the charge is for inclusion in a "Buy British Source Register Data Bank of Trade, Business and Industry". The invoices are illegal in the UK where demanding payment for unsolicited goods and services is *forbidden*. Several other European countries have similar laws.

The first invoices appear to have been sent out in August, a favourite month with fraudsters because staff shortages during the summer holiday period often allow payments to slip through accounts departments, particularly at large companies. The fraud came to light after Balco, a Birmingham manufacturer of specialised electroplating equipment for the jewellery industry, received a letter last month from Interbusiness threatening legal action if it did not pay up by last Monday. Another $20 was added to cover the cost of reminders.

Mr Alan Udy, Balco's managing director, has sent copies to the Swiss Embassy in London, the British Embassy in Switzerland, the British Chambers of Commerce in London and the Financial Times.

Mr Joseph Koch, Switzerland's commercial attache in London, said yesterday: "I am afraid it looks like another fraud. This is the *third complaint* we have had about this operation. We shall be investigating and alerting the British embassy in Berne."

Interbusiness's telephone in Gland was answered yesterday by a woman who gave her name as Ms Andlinger. She said no one else was available and that questions should be submitted in writing. When pressed about unsolicited invoices, she added: "We buy the addresses and send out the forms."

Mr Udy said Balco received its first invoice from Interbusiness more than two months ago. There was no offer of a contract, *simply* a demand for payment. As a small company with only 20 employees, the invoice was referred to him. He faxed it back with a note saying he had not placed an order and would not be paying. A reminder a month later received similar treatment.

"The style of the address suggests they got our name from the catalogue of the European Watch, Clock and Jewellery Fair, held each April in Basle," Mr Udy said. "Such fairs are our principal means of marketing. We are in a specialised niche. Generalised directories and databases are of little use to us - especially at $1,440."

The fax and telex versions of the fraud cull names and addresses from legitimate directories, using scores of keyboard operators copying out entries on to invoices.

Falklands oil licence launch draws few magnates

By David Pilling in Port Stanley, Falkland Islands

Oil magnates were in short supply as the Falkland Islands government, fresh from launching its oil licensing round in London and Houston, made the third and final stop in its world tour – Junior School Hall, Port Stanley.

About 50 people – some 2.5 per cent of the islands' population – shuffled into the tiny school on Wednesday to hear a two-hour presentation on prospects for a Falklands oil industry.

Among them were concerned *citizens*, environmentalists and local entrepreneurs hoping to cash in on any impending oil boom following the Anglo-Argentine accord that made a licensing round for the disputed waters around the islands possible.

According to some preliminary studies, oil reserves in Falklands waters could be greater than those of the North Sea.

Squashed into child-sized green plastic chairs, the islanders sat through two hours of explanation of fiscal and legal regimes, and of the region's geological make-up.

Mr Andrew Gurr, Falklands chief executive, apologised if the presentation were not as "slick" as that offered in the plush hotels of London and Houston.

Standing in front of a children's climbing frame, he explained that the Falklands had decades ago developed a prototype petroleum industry when "thousands of penguins were clubbed to death and reduced to oil".

The licensing round, bids for which close next July, was a "historic moment" for the islands which had "never before undertaken anything remotely like this".

Mr Gurr reminded his audience that the Falklands was virtually without crime, unemployment, poverty, pollution or traffic lights. Oil should not be allowed to change this, he said.

There was one would-be oil magnate, Mr Hamish Wylie, a director of Monarch Exploration (Falklands). The company, which is seeking partnerships with oil majors, has been the subject of a recent statement by Mr Gurr rejecting Monarch's claim that its "inclusion in a bidding group would greatly enhance the group's prospects of obtaining a licence".

When discussion was opened to the floor, many questions related to provisions for the abandonment of rigs, after the recent controversy over disposal of the Brent Spar platform in the North Sea.

There was also concern that an invasion of oil men, contractors and assorted fortune-seekers could disturb the balance of the Falklands' tiny population. One councillor said oil workers would probably be confined to a camp outside Stanley.

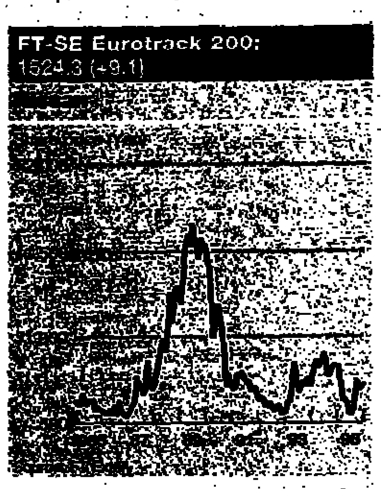
THE LEX COLUMN

German banking blues

The German banking industry is in a hole. This year's improvement in headline profits merely reflects the fact that 1994 was even worse. Underlying profitability remains under severe pressure. Dresdner Bank yesterday reported a 32 per cent decline in operating profits, excluding provisions and gains on own-account trading. Like Deutsche Bank and Commerzbank last week, it suffered falls in net interest income and commissions.

The outlook is bleak. Corporate loan demand is slack, competition intense and German consumers do not like to borrow. The obvious response is to attack costs. But significant redundancies like those made by the UK banks are politically impossible in Germany. Spending on technology and branch refurbishment in the east remains high. As a result, costs are rising ahead of inflation.

Faced with a similar situation, British banks like Lloyds refocused on their core operations. Lloyds now enjoys a return on equity of over 20 per cent. The best of the Germans, Deutsche, achieved only 10 per cent. At that rate, profits are barely covering dividends, which suggests further rights issues to fund a strategy of growth for its own sake.



Nissan

It is hardly surprising that Nissan's shares reacted with enthusiasm to yesterday's announcement of operating profits, given four previous years of losses. Domestic sales grew by 22 per cent as successful product launches coincided with a pick-up in demand from consumers replacing cars they bought in the boom years of the late 1980s. Furthermore, Nissan has taken radical action – by Japanese standards – to cut costs. Annual savings from its restructuring programme should amount to Y130bn ($1.25bn).

But while the worst may be over, problems remain. Export sales were flat, reflecting the strong yen. Problems in its Spanish and Mexican subsidiaries could lead to consolidated losses of around Y60bn for the current year. And while the latest US/Japan trade agreement encourages Nissan to shift more production to lower cost US sites, this will only increase surplus capacity – and thus competition – in Japan itself.

The benefit of recent yen weakening has yet to feed through into profits, but has been fully anticipated in the share price. Every Y1 movement in the rate means around Y7bn for Nissan's sales, but without further help from currency, the share price rally is unlikely to be sustained.

Shell

The stock market's reaction to Shell's third-quarter results looks overdone. Investors were rattled because non-US chemicals earnings have fallen 29 per cent from the previous quarter. Since the fall was in line with Exxon's recent results, however, this should hardly have been a surprise. The market should focus less on the past and more on Shell's confident prognosis that the chemicals cycle is in a temporary adjustment, not a downturn. The logic – that underlying demand is strong and customers are simply destocking – is persuasive, especially since Shell's predictions have traditionally been pessimistic.

Shell confirmed its gloomy reputation yesterday by warning that the oil price may not rise much, and could fall quite a lot, over the next decade. If investors believe this they should mark down the whole sector, not just Shell. For Shell shareholders, by contrast, the statement is not such a bad sign. If Shell is negative about oil prices then it has even more incentive to press on with cost-cutting. It is also likely to be cautious about upstream investment. Shell is already heading for a net cash position. At the very least, investors should have strong dividend growth to look forward to.

Kwik Save

After J. Sainsbury's disappointing interim results on Wednesday, the stock market was in no mood to forgive Kwik Save for announcing full-year figures well below most forecasts. The 10 per cent fall in the shares yesterday owes as much to clumsy management of expectations – and the pall of gloom overhanging the retail sector – as to the content of the figures themselves.

But even allowing for mitigating factors – such the cost and disruption of its store refurbishment programme – the results were disappointing. The suspicion remains that Kwik Save is in far more of a strategic bind than Sainsbury, which has lost its marketing edge at a time of renewed price competition in relative luxuries such as fresh produce. Discounting of basic goods, which once gave Kwik Save a distinctive appeal, has become a feature of superstore retailing too.

Boots

There was a dispiriting familiarity about Boots' half-year figures. The chemists business continues to demonstrate admirable quality, but the group is making a negligible return on its £1bn of annual retail sales outside the chemists chain. Halfords is demonstrating slow, grinding progress. The DIY chains – Do It All and AG Stanley – are performing worse than ever. An early exit from DIY is ruled out by cripplingly high property commitments. With little chance of a trade sale, Boots has little choice but to plough on and hope that the trading environment improves.

The group also continues to accumulate cash with no obvious outlet other than a repeat of last year's share buyback. At first glance, the strategy of investing in European over-the-counter medicines through acquisitions looks sound. This area of healthcare is growing fast and Boots already has the seeds of an international business with brands such as Nurofen, its pain-killer. The snag is that Boots is struggling to find acquisitions at acceptable prices.

Whether Boots will ever be willing to out-bid the giants of the pharmaceuticals industry, which are also eager to expand in OTC medicines, is a moot point. After all, it makes no secret of the demanding targets it sets for new investment. The Ward White acquisition – which brought Halfords and DIY into the group – may have made management more than usually risk-averse. The price of becoming a serious force in OTC medicines is high indeed, but Boots should look elsewhere if it is not prepared to pay.

German pay

Continued from Page 1

programmes would be financed.

IG Metall said yesterday it was confident companies would have more room for manoeuvre if pay demands next year averaged around 3 per cent and productivity rose 6.5 per cent. They could invest profits or lower prices to help exports.

Even though the union has broken a number of taboos over the past few days, IG Metall remains reluctant to discuss the prohibitive labour costs, including the substantial insurance, holiday and unemployment benefits employers and employees would have to pay. Neither has it lifted its refusal to discuss Saturday working and part-time working.

French rate

Continued from Page 1

a significant reduction in interest rates".

Mr Jean-Claude Trichet, governor of the Bank of France, has responded positively to Mr Chirac's budget-cutting stance. However, the central bank, which was granted independence at the beginning of last year, appears to be awaiting evidence of progress in deficit reduction before stepping up the pace of interest rate cuts.

In particular, it is watching the government's strategy for reducing France's FFr60bn ($12.3bn) social security deficit. Mr Juppé is finalising plans to eliminate the deficit by 1997 and is due to announce them to the National Assembly in the middle of the month.

BMW chief eyes Rolls-Royce for brand portfolio

By Haig Simonian,
Motor Industry Correspondent,
in London

BMW, the German executive cars group, has sent the clearest signal to date that it would like to buy Rolls-Royce Motors, the icon of British luxury motoring, were it to become available.

Mr Bernd Pischetsrieder, BMW's chief executive, said at the company's UK press dinner this week that Rolls-Royce would be a natural extension of BMW's brand portfolio.

He stressed, however, that no negotiations were underway with Vickers, the owner of Rolls-Royce. A Vickers spokesman repeated the company's established position: "Rolls-Royce Motors is a core business and is not for sale."

However, speculation about the future of Rolls-Royce has mounted since BMW beat its arch-rival Mercedes-Benz last year in a deal to supply the prestige UK car company with engines and technology.

BMW's brand portfolio was broadened last year by the acquisition of Rover, the UK car group. However, Mr Pischetsrieder indicated that while Rover and its associated brands had expanded BMW's range of cheaper vehicles, there was room for a niche low-volume luxury brand above BMW's own price ceiling.

His comments come alongside a report yesterday that BMW plans to establish a Formula One motor racing team in the UK.

Auto Motor und Sport, the authoritative German car magazine, said BMW's sporting operations would be moved from Munich to the UK next year, ahead of the creation of a works Formula One racing team in 1998.

BMW was unavailable for comment last night. However, racing enthusiasts said the move was highly credible. The company participated in Formula One in the early 1980s and stresses its sporting heritage in its marketing.

The UK is the obvious location for a team because of its pool of specialist engineering skills. All the current Formula One teams are UK-based, apart from Ferrari and Sauber.

"BMW regularly reviews the possibility of Grand Prix racing, and I wouldn't be at all surprised if they went back, given their emphasis on sporty motoring," said an industry observer.

Establishing a UK base would be in line with Mr Pischetsrieder's backing for the country's automotive industry. Praising the country's traditions and talents in motor manufacturing in his speech, he bemoaned, however, the lack of attention paid to improving productivity compared with German car manufacturers.

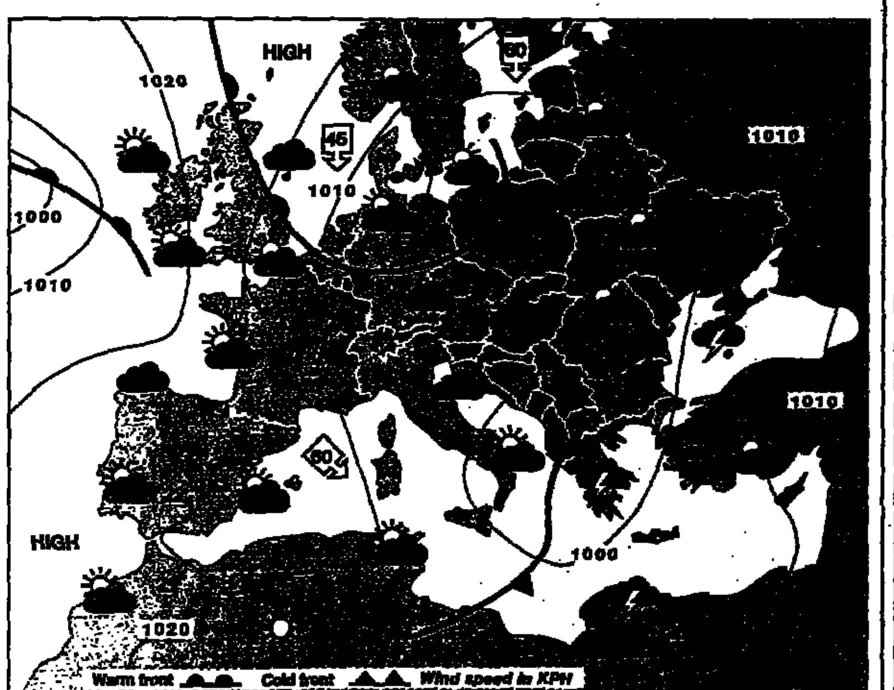
FT WEATHER GUIDE

Europe today

A frontal system associated with low pressure over Poland will cause cloud and rain in the Benelux and Germany. Scandinavia will remain cold with maximum temperatures below zero and strong north-easterly winds. There will be snow showers over Finland and eastern Sweden. High pressure will promote sunny spells over the British Isles but a warm front will cause cloud and drizzle in south-west Ireland. France will have cloud in the north and east but sun in the south. A strong mistral will effect the south coast. Northern Spain and Portugal will be overcast with rain. Further south, it will be dry and sunny. Cool air will sponsor snow across the northern Alps. Southern Italy, Greece and western Turkey will have thunder showers.

Five-day forecast

High pressure will move over Scandinavia and the Benelux towards central and south-eastern Europe, resulting in settled but cold conditions over western Europe. New frontal systems approaching the British Isles during the weekend will being rain but the continent will stay dry until Tuesday. The northern Alps will have snow on tomorrow but will be dry and warmer from Sunday. Thunder showers will still occur over the Mediterranean.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius								
			Beijing	sun	14	Caracas	cloudy	30
			Belfast	sun	9	Cardiff	fair	12
Abu Dhabi	sun	32	Belgrade	fair	7	Casablanca	sun	21
Accra	thund	32	Berlin	shower	5	Chicago	fair	4
Algiers	shower	21	Bermuda	fair	25	Cologne	shower	8
Amsterdam	shower	10	Bogota	cloudy	19	Dakar	sun	30
Athens	thund	19	Bombay	fair	35	Dallas	cloudy	11
Atlanta	cloudy	23	Brussels	shower	9	Delhi	sun	30
B. Aires	sun	29	Budapest	shower	7	Dubai	sun	32
B.ham	sun	10	C.hagen	shower	2	Dublin	sun	11
Bangkok	cloudy	33	Cairo	fair	28	Dubrovnik	thund	15
Barcelona	sun	18	Cape Town	fair	20	Edinburgh	fair	9

Faro	fair	23	Madrid	fair	19	Rangoon	cloudy	33
Frankfurt	shower	9	Majorca	sun	19	Reykjavik	cloudy	7
Geneva	shower	10	Malta	fair	19	Rio	rain	24
Gibraltar	sun	22	Manchester	fair	10	Rome	sun	17
Glasgow	fair	9	Manila	rain	30	S. Frsco	sun	19
Hamburg	shower	5	Melbourne	cloudy	19	Seoul	fair	12
Helsinki	snow	-4	Mexico City	fair	23	Singapore	thund	33
Hong Kong	sun	27	Miami	fair	30	Stockholm	snow	0
Honolulu	fair	31	Milan	sun	13	Strasbourg	shower	9
Istanbul	shower	18	Montreal	rain	14	Sydney	fair	23
Jakarta	cloudy	32	Moscow	rain	8	Tangier	sun	21
Jersey	fair	13	Munich	rain	5	Tel Aviv	fair	24
Karachi	sun	35	Nairobi	shower	26	Tokyo	cloudy	20
Kuwait	sun	32	Naples	sun	16	Toronto	cloudy	13
L. Angeles	fair	22	Nassau	fair	30	Vancouver	fair	7
Las Palmas	sun	25	New York	shower	22	Venice	sun	12
Lima	cloudy	21	Nice	sun	17	Vienna	rain	6
Lisbon	fair	21	Nicosia	thund	22	Warsaw	rain	4
London	fair	11	Oslo	cloudy	4	Washington	shower	23
Lux.bourg	shower	7	Paris	cloudy	10	Wellington	rain	13
Lyon	fair	8	Perth	cloudy	24	Winnipeg	fair	-9
Madeira	sun	23	Prague	rain	5	Zurich	rain	8